

The Senate

Foreign Affairs, Defence and Trade
References Committee

Australia's relationship with Mexico

December 2015

© Commonwealth of Australia 2015

ISBN 978-1-76010-337-8

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Phone: + 61 2 6277 3535

Fax: + 61 2 6277 5818

Email: fadt.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate_fadt

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website: <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>

Printed by the Senate Printing Unit, Parliament House, Canberra.

Committee Membership

Senator Alex Gallacher, Chair	ALP, SA
Senator Chris Back, Deputy Chair	LP, WA
Senator Sam Dastyari	ALP, NSW
Senator David Fawcett	LP, SA
Senator Scott Ludlam	AG, WA
Senator Anne McEwen	ALP, SA

Secretariat

Mr David Sullivan, Committee Secretary
Mr Owen Griffiths, Principal Research Officer
Ms Casey Mazzarella, Senior Research Officer
Ms Kimberley Balaga, Research Officer
Ms Shannon Ross, Administrative Officer

Table of Contents

Committee Membership	iii
Abbreviations	vii
Recommendations	ix
Chapter 1	1
Introduction	1
Referral	1
Conduct of inquiry.....	1
Past parliamentary inquiries	1
Structure of report.....	5
Acknowledgements	5
Chapter 2	7
Mexico's elevation in the global geo-political and economic order	7
Domestic reform	7
Foreign policy.....	9
Economy.....	10
Chapter 3	15
Opportunities to enhance Australia-Mexico relations	15
Increased bilateral engagement	15
Trade agreements.....	18
Biosecurity measures.....	23
Transport links.....	25
Tourism.....	30
Australia's perceptions of Mexico	33
Chapter 4	39
Education and Research	39
Scope for increased collaboration in the education sector	40
Potential for extending scholarship programs to Mexico.....	44
Scope to extend the New Colombo Plan to include Mexico.....	47
Educational infrastructure challenges	48

Scope for increased collaboration in research.....	52
Chapter 5.....	55
Opportunities for trade and investment.....	55
Awareness of opportunities in Mexico and Australia	67
Appendix 1	73
Submissions	73
Appendix 2	75
Tabled documents, answers to questions on notice, and additional information	75
Additional information and tabled documents	75
Answers to questions on notice	75
Appendix 3	77
Public hearings and witnesses	77
Thursday 29 October 2015, Canberra	77

Abbreviations

ALABC	Australia-Latin America Business Council
ALADI	Latin American Integration Association
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
COALAR	Council on Australia Latin America Relations
CONACYT	Mexican National Council of Science and Technology
DET	Department of Education and Training
DFAT	Department of Foreign Affairs and Trade
DIBP	Department of Immigration and Border Protection
ETA	Electronic Travel Authority
FDI	Foreign Direct Investment
FEALAC	Forum for East Asia-Latin America Cooperation
FTA	Free trade agreements
GVCs	Global value chains
IMEXDI	Mexican Institute of Infrastructure and Development
JSCFADT	Joint Standing Committee on Foreign Affairs, Defence and Trade
METS	Mining equipment technology and services
MIKTA	Mexico, Indonesia, the Republic of Korea, Turkey, Australia
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
PRI	Mexican Institutional Revolutionary Party
RIPPAs	Reciprocal Investment Promotion and Protection Agreements
SEP	Mexican Secretariat of Public Education
TPP	Trans-Pacific Partnership
UN	United Nations
VET	Vocational education and training
WHV	Working Holiday Visa
WTO	World Trade Organization

Recommendations

Recommendation 1

3.35 The committee recommends that the Department of Agriculture and Water Resources and Biosecurity Australia assign high priority to the import risk analyses for Mexican agricultural goods such as avocados, table grapes and limes currently awaiting import risk analysis. If the analyses cannot be concluded before the end of 2016, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion for each product.

Recommendation 2

3.52 The committee recommends that the Department of Foreign Affairs and Trade, working with Mexican authorities, develop a strategic plan for the establishment of direct flights between Mexico and Australia by 2020. The strategic plan should incorporate consultation with airlines, tourism industries in both countries, and ANZMEX and should be presented to the Parliament before December 2016.

Recommendation 3

3.63 The committee recommends that the Australian government work to grant Mexican travellers eligibility for the eVisitor visa before the end of 2016. If this is not possible, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion.

Recommendation 4

3.80 The committee recommends that the Australian government work with Australian businesses to raise awareness of the risks and benefits of doing business in Mexico and to dispel exaggerations of risk with regards to security and corruption in Mexico.

Recommendation 5

4.19 The committee recommends that the Australian government work together with Australian universities to review the accreditation of existing Mexican qualifications and achieve mutual recognition of qualifications by 2020.

Recommendation 6

4.35 The committee recommends that the Australian government allocate additional funding for initiatives to promote Australian VET services in Mexico.

Recommendation 7

4.43 The committee recommends that the Department of Foreign Affairs and Trade consider whether there is scope to extend the New Colombo Plan to include Mexico as a destination country.

Recommendation 8

4.47 The committee recommends that the Department of Immigration and Border Protection appoint additional panel physicians in key Mexican cities to reduce delays to international student medical examinations.

Recommendation 9

4.56 The committee recommends that the Department of Immigration and Border Protection review its current student visa provisions to reduce visa application processing times for Mexican students.

Recommendation 10

4.67 The committee recommends that the Australian government actively encourage research collaboration between Australia and Mexico and that more resources be made available to Australian universities and research institutions to facilitate this collaboration.

Recommendation 11

5.59 The committee recommends that additional resources be allocated to Austrade to raise awareness of the significant value chain opportunities in the Mexican automotive sector (and advanced manufacturing more broadly) and assist Australian suppliers of OEMs and automotive aftermarket to quickly and effectively engage with the Mexican automotive market.

Recommendation 12

5.60 The committee recommends that additional resources be allocated to the Australian diplomatic and Austrade posts in Mexico, particularly the provision of additional specialised staff to assist Australian small to medium enterprises wishing to enter the Mexican market in the wake of the Trans-Pacific Partnership.

Recommendation 13

5.61 The committee recommends that the Department of Foreign Affairs and Trade and Austrade work with the Export Council of Australia to develop a suite of practical, user-friendly tools to assist Australian small to medium enterprises, especially service companies, understand and utilise the Trans-Pacific Partnership.

Chapter 1

Introduction

Referral

1.1 On 20 August 2015 the Senate referred the following matter to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 3 December 2015. The terms of reference for this inquiry are as follows:

- a. Mexico's continued elevation in the global geo-political and economic order and its implications for Australia;
- b. opportunities for enhanced relations, including the potential for increased bilateral engagement and also through jointly held memberships such as the G20, APEC, OECD and MIKTA;
- c. potential opportunities for enhanced trade and investment ties, in particular those emanating from the proposed Trans-Pacific Partnership (TPP);
- d. scope for increased collaboration in the education sector and the potential for extending scholarship programs to Mexico;
- e. scope for increased trade and commercial exchange in the resources sectors with particular reference to hard rock mining and the Oil & Gas sector in the Gulf of Mexico;
- f. scope for cross investment and joint ventures in Australian and Mexican infrastructure projects; and
- g. any other related matters.

Conduct of inquiry

1.2 The committee advertised the inquiry on its website. The committee also wrote to individuals and organisations likely to have an interest in the inquiry and invited them to make written submissions.

1.3 The committee received 41 submissions and six supplementary submissions to the inquiry. These submissions are listed at Appendix 1 and are published on the committee's website.

1.4 The committee held a public hearing on 29 October 2015. The witnesses who appeared at the hearing are listed at Appendix 2 and the program and *Hansard* transcript of the hearing is published on the committee's website.

Past parliamentary inquiries

Inquiry into Australia's trade with Mexico and the Region

1.5 In August 2007, the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) conducted an inquiry into Australia's trade with Mexico and the Region. The inquiry's terms of reference called for the inquiry:

To examine and report on expanding Australia's trade and investment relations with Mexico and the region with particular reference to:

- the nature of Australia's existing trade and investment relations;
- likely future trends in these relations; and
- the role of the government in identifying and assisting Australian companies to maximise opportunities in Mexico and the region.¹

1.6 The inquiry made five recommendations regarding engagement, exports, and free trade agreements:

- that the Australian Government, through the Department of Education, Science and Training, reactivate scientific and technological cooperation with Mexico;
- that DFAT review the viability of FEALAC [Forum for East Asia-Latin America Cooperation] and, if it is determined to be viable, ensure a greater effort is made to fulfil its potential;
- that the Australian Government initiate or continue ministerial discussions with officials in Mexico and the region to address technical market access issues;
- that more resources be provided to Australian Government representatives in Mexico for promotional activities such as trade fairs and exhibitions to capitalise on the strong interest in Australian products; and
- that the Australian Government move forward with a high quality comprehensive Free Trade Agreement (FTA) with Mexico and that in any negotiations, issues relating to agriculture should be determined at an early stage.²

1.7 The Government Response advised JSCFADT that it 'proposes to make some funding available for an initial activity with Mexico to test the level of interest from Australian science stakeholders in bringing the science and technology relationship to a more active level'. The Government informed JSCFADT that its strategy for supporting Australia's engagement with the global science community concentrates its efforts on two groups of countries: 'the current science leaders, who are making substantial investment in science and have well established research strengths in fields of particular benefit to Australia; and countries that are emerging as the scientific leaders of tomorrow' but that 'Mexico currently does not fit into either of these categories'.³

1 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade with Mexico and the Region*, 2007, pp xiv–xv.

2 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade with Mexico and the Region*, 2007, p. xi.

3 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's Trade with Mexico and the Region*, September 2007, p. 2.

1.8 The government noted that 'FEALAC has been slow to develop momentum as a regional group, reflecting in part the higher importance many members give to other established forums such as APEC', explaining that 'FEALAC's future and its ongoing viability will depend to a significant extent on the priority and resources member states give to the forum'. The Government advised that it will continue to engage with the Forum 'as resources and opportunities permit'.⁴

1.9 The government stated that it will 'continue to work with Mexico and other Central American countries to reduce technical market access barriers affecting Australian Agricultural exports'. It noted that 'the main focus of the work in the region has been on negotiating arrangements with countries such as Costa Rica, Panama and El Salvador on dairy export plan inspections'.⁵

1.10 The government advised JSCFADT that the Austrade post in Mexico covers Mexico, Central America and the Caribbean, with a primary focus on Mexico. The post has six permanent staff comprising one Australian Trade Commissioner and five local staff. The Government described the key events facilitated by the post, including Expomin in Veracruz and the Australia Festival (known as ExpoAustralia from 2008). It also noted that other Australian government departments also undertake key promotional and marketing activities in Mexico, such as the Latin America Study in Australia Exhibition.⁶

1.11 The government informed JSCFADT that its focus in trade negotiations is 'to bring the Doha round of multilateral trade negotiations to a successful conclusion' but that 'Mexico would seem to be a good prospective partner for a bilateral FTA'. The Government assured JSCFADT that it 'will continue to examine the details of a potential FTA with Mexico through the JEG [Joint Exports Group between Australia and Mexico]'.⁷

Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America

1.12 In July 2011, JSCFADT tabled a report into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America. Whilst the report did not make any Mexico-specific recommendations, it did make a number of recommendations regarding Australia's relationship with Latin America, including:

4 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's Trade with Mexico and the Region*, September 2007, p. 3.

5 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's Trade with Mexico and the Region*, September 2007, p. 4.

6 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's Trade with Mexico and the Region*, September 2007, pp 4–5.

7 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's Trade with Mexico and the Region*, September 2007, pp 5–6.

- the introduction of electronic visa applications would be an excellent, and inexpensive, way to assist in improving trade and investment relations with the countries of Latin America;
- that the Government review the processing of applications by skilled migrants and, where appropriate, seek ways to fast track the recognition of their skills;
- that the Government adopt a 'working holiday' visa scheme for travellers from Latin America; and
- that urgent attention be given to achieving mutual recognition of university qualifications between Australia and the countries of Latin America; and
- that increased priority be assigned to high-level visits by Ministers and parliamentary representatives, particularly at the head of business delegations.⁸

1.13 The Government Response agreed with JSCFADT's recommendation regarding the introduction of electronic visas, noting that it 'would be an inexpensive way to assist in improving trade and investment relations with the counties of Latin America'. The response also discussed the Government's plans to progressively roll out electronic visitor visa applications to citizens of all counties in Latin America by 2014.⁹

1.14 The government assured JSCFADT that it 'continues to review procedures to achieve the most responsive processing times possible to enable employers to meet their skilled employment needs'. The Government advised that in May 2011 it committed \$10 million over four years to fund a new processing centre with the aim of 'reducing the median processing time of Temporary Business (Long Stay) visas (Subclass 457) to 10 days for "decision-ready" applications'.¹⁰

1.15 The government agreed that 'adding more Latin American countries to the "working holiday" scheme would be of benefit to Australia'. It advised that Australia and Argentina implemented new reciprocal Work and Holiday visa (Subclass 462) arrangements in February 2012. It also advised that Australia and Mexico commenced negotiations in late 2010 for a capped Work and Holiday visa arrangement, noting that the negotiations on a draft text are 'progressing well'. The Government advised that Australia is also in the final stages of negotiations with Uruguay on a Work and

8 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America*, July 2011, pp xx–xxi.

9 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America*, December 2012, p. 7.

10 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America*, December 2012, p. 8.

Holiday Memorandum of Understanding (MoU) with the new arrangements expected to commence in early 2013.¹¹

1.16 The Government noted 'the desirability of achieving mutual recognition of university qualifications', advising JSCFADT that it had signed MoUs on mutual recognition of qualifications with Brazil, Chile, Columbia, and Peru.¹²

1.17 The Government stated that it 'sees value in increased visits to Latin America by Ministers and Parliamentary representatives' and that it would continue to identify opportunities for Australian Ministerial and Parliamentary visits to countries in Latin America.¹³

Structure of report

1.18 The report is structured as follows:

- Chapter 2 briefly outlines Mexico's elevation in the global geo-political and economic order, discussing the Peña Nieto administration's program of political, economic and foreign policy reforms;
- Chapter 3 explores opportunities to enhance Australian-Mexican relations, including transportation links, quarantine and import risk analysis, addressing perceptions of insecurity and corruption, and raising awareness of business opportunities;
- Chapter 4 examines the scope for increased collaboration in the education sector, including opportunities for the Australian VET sector and increased collaboration in research; and
- Chapter 5 considers trade and investment opportunities, particularly in the energy, mining and resources, infrastructure, food and agriculture, and tourism sectors.

Acknowledgements

1.19 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing at a hearing.

11 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America*, December 2012, p. 10.

12 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America*, December 2012, p. 8.

13 Australian Government, *Response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America*, December 2012, pp 10–12.

Chapter 2

Mexico's elevation in the global geo-political and economic order

2.1 The United Mexican States (Mexico) is a congressional democracy with a directly elected President who serves a single six-year term. Mexico's bicameral congress comprises 128 senators (serving six-year terms) and 500 members in the Chamber of Deputies (serving 3-year terms).¹ Mexico has a long history of political stability and, since the early 1990s, has moved from a political system dominated by a single party, to an increasingly robust, multi-party democracy.²

Domestic reform

2.2 The political climate in Mexico has changed significantly since the turn of the century. In 2000, the election of President Vicente Fox of the National Action Party (PAN) broke the political hegemony of the Institutional Revolutionary Party (PRI). The Fox administration demonstrated sound fiscal management, pursuing macroeconomic goals and focusing on increasing investment and employment. This promoted economic growth and moved Mexico out of recession. President Felipe Calderón of the PAN was elected in 2006 and his administration continued the economic liberalisation and stable macroeconomic policies of the Fox administration. This resulted in continued economic stability, as well as the implementation of universal health coverage and improvements to education.³

2.3 Enrique Peña Nieto of the PRI was inaugurated as President in December 2012. He identified five key goals for his presidency:

- improving security and justice;
- combatting poverty;
- providing quality education for all;
- maintaining solid economic growth; and
- re-positioning Mexico in the world, with a focus on enhancing ties with the Asia-Pacific region.⁴

2.4 Since taking office, President Peña Nieto has embarked on an ambitious and wide-ranging program of structural and regulatory reforms (95 in total) in the

1 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

2 Department of Foreign Affairs and Trade, *Submission 30*, p. 3.

3 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 4 November 2015).

4 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

education, energy, fiscal policy, internal security, telecommunications, and political sectors. Despite encountering some challenges, the Peña Nieto Administration has passed a series of key constitutional reforms, accompanied by legislative and regulatory changes.⁵

2.5 Corruption, crime-related violence, and high levels of poverty comprise the major challenges faced by the Peña Nieto Administration and continue to be significant obstacles to reform and continued development.⁶ However, the Australian Department of Foreign Affairs and Trade (DFAT) noted that 'the current Mexican Government has demonstrated both an awareness of these challenges and a willingness to address them'.⁷

Promoting transparency and addressing insecurity

2.6 In May 2015, President Peña Nieto enacted two significant reforms to improve transparency and address corruption. The first, the General Law of Transparency and Access to Public Information, lays the groundwork to 'ensure that the right of access to information is exercised throughout the country on equal terms'. The second, the National Anti-Corruption System, 'will coordinate different authorities for the task of preventing, investigating and punishing possible acts of corruption, as well as those responsible for overseeing public resources'.⁸

2.7 The Peña Nieto administration is addressing insecurity and violent crime, with the level of homicide and violent crimes falling in recent years. The administration issued a National Programme for Social Prevention of Violence and Crime, which comprises ten strategies that 'guide the Security Policy and Law Enforcement and integrates 9 Secretaries (Ministers) of State'. The Peña Nieto administration has also worked to reinforce the institutional mechanisms and coordination between all levels of government and agencies.⁹

2.8 DFAT acknowledged that, despite the impressive gains achieved in recent years, the Mexican Government continues to face 'a range of difficult challenges including corruption, poverty, wealth inequality and crime-related violence'. Nonetheless, DFAT commended the Mexican Government for demonstrating 'an awareness of these challenges and a willingness to address them'.¹⁰ Austrade also recognised that 'security and corruption issues do exist' but noted that security issues tend to be highly regionalised and corruption concentrated in certain industries.¹¹

5 Department of Foreign Affairs and Trade, *Submission 30*, p. 3.

6 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

7 Department of Foreign Affairs and Trade, *Submission 30*, pp 1–3.

8 Embassy of Mexico, *Submission 9*, p. 3.

9 Embassy of Mexico, *Submission 9*, p. 3.

10 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

11 Australian Trade Commission, *Submission 39*, p. 17.

Foreign policy

2.9 Traditionally, Mexico's relationship with the US has dominated its foreign policy; however, it has recently adopted a forward-leaning and multifaceted approach. The Peña Nieto Administration has actively pursued four key foreign policy goals:

- consolidate Mexico's presence on the world stage;
- strengthen development-oriented international cooperation;
- promote Mexico through a worldwide campaign; and
- promote the interests of the country and its citizens abroad.¹²

2.10 The promotion of trade and investment has become a focus in Mexican foreign policy and President Peña Nieto has been active in strengthening bilateral ties with a range of countries identified as key to improving Mexico's international stature. The President undertook 16 official visits overseas in 2013 (his first year in office) and has received a large number of foreign heads of State and Government, including visits by the United States of America (US), China, Japan, and a range of others.¹³

2.11 Mexico has recently demonstrated a clear desire to shoulder greater responsibility in the global community. In 2014, during his address at the United Nations (UN) General Assembly, President Peña Nieto announced that Mexico would resume participation in UN Peacekeeping Operations, in a 'gradual and conditional way'. This announcement marked a significant foreign policy shift for Mexico, which has historically been opposed to foreign military interventions of any kind, and demonstrated Mexico's faith in multilateral institutions as the key driver in international peace and stability.¹⁴ His Excellency Ambassador Armando G. Álvarez Reina, told the committee:

Mexico is a country with global responsibility. Mexico is a country open to international scrutiny both in its democracy and in its human rights...We are firm believers in multilateralism. We are the 10th largest contributor to the United Nations. We are very much in favour of UN reforms to make the UN not only a more democratic body, but also a more agile body, capable of supporting development. We are now participating in peacekeeping operations along with Australia.¹⁵

2.12 Mexico is actively engaged multilaterally in issues such as climate change, development, and disarmament. Mexico participates in a number of multilateral forums such as Asia-Pacific Economic Cooperation (APEC), the Group of Twenty (G20), OECD, WTO, and the United Nations (UN) system on international peace and security issues, including on the Responsibility to Protect. In 2013, Mexico committed

12 Department of Foreign Affairs and Trade, *Submission 30*, p. 3.

13 Department of Foreign Affairs and Trade, *Submission 30*, p. 3.

14 Department of Foreign Affairs and Trade, *Submission 30*, p. 4.

15 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, pp 44–45.

to preventing the spread of chemical and biological weapons when it joined the Australia Group.¹⁶ Ambassador Álvarez Reina told the committee:

In the last few decades, we have been championing the best international causes. At the initiative of Mexico, the treaty of Tlatelolco was signed in Mexico City that consolidated Latin America as the first nuclear-free zone in the world. In the human rights field, at the initiative of Mexico, the former UN Commission on Human Rights was replaced by the UN Human Rights Council and Mexico became the first president of that new council. It was less politicised and more effective. In climate change, for instance, a few years ago we hosted the COP16, which rescued the world climate negotiations from the previous failure and relaunched the process that will continue this year in Paris. In international governance we also hosted the G20 summit in 2012. My president was here in Brisbane last year, present for the same forum.¹⁷

2.13 Mexico has demonstrated a strong interest in enhancing its relations with influential countries with which it has traditionally enjoyed cordial, but relatively modest relations. Mexico is an active and enthusiastic member of MIKTA, an innovative partnership created in 2013 that brings together Mexico, Indonesia, the Republic of Korea, Turkey, and Australia to discuss opportunities to enhance cooperation on global issues.¹⁸

Economy

2.14 Mexico has a strong and growing economy. Widespread trade liberalisation over the past several decades has transformed the Mexican economy from a highly protected inward-oriented economy to an open, regionalised, and market-based economy.¹⁹ Mexico's economy was ranked fifteenth in the world by the World Bank in 2014 with a GDP of US\$1.3 trillion. Mexico's economy grew by 2.1 per cent in 2014 and is expected to grow by 3 per cent in 2015.²⁰ It is predicted that, by 2050, Mexico will be one of the world's ten largest economies.²¹ In 2014, the credit rating agency Moody's upgraded Mexico's sovereign rating to an 'A'.²²

2.15 Mexico is designated as an upper middle income country by the World Bank. In 2014, Mexico had a population of approximately 125 million people and a GDP per

16 Department of Foreign Affairs and Trade, *Submission 30*, p. 4.

17 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 44.

18 Department of Foreign Affairs and Trade, *Submission 30*, p. 4.

19 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

20 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

21 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

22 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

capita of US\$10,230.20.²³ However, as noted by the Australia-Latin America Business Council, there is a high degree of disparity between its rich and its poor. Mexico has a large informal economy generating an estimated 26 per cent of the nation's GDP. It is estimated that approximately 60 per cent of the Mexican workforce is engaged in the informal economy.²⁴

2.16 Foreign Direct Investment (FDI) in Mexico is significant and growing. Between 2012 and 2014, FDI in Mexico has more than doubled, increasing from approximately US\$18 billion to US\$38 billion.²⁵ As well as being an attractive destination for foreign investment, Mexico is also a major investor in its region. Mexico is the number one Latin American investor in Brazil, Costa Rica, Guatemala, Honduras, Nicaragua, and the Dominican Republic; as well as being a major investor in a number of other regional economies.²⁶

2.17 Mexico is a member of the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO) and has a proven interest in free trade. Mexico boasts a well-established and broad network of 11 Free Trade Agreements (FTAs) with 46 countries, granting it access to a market of more than 1.1 billion customers. Mexico also has 33 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) and nine trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin America Integration Association (ALADI).²⁷

2.18 The Mexican economy is strongly connected to the United States. The economic integration is derived from close linkages across four important economic channels: trade, remittances, investment, and financial channels. The trade channel, in particular, is highly developed, with approximately 80 per cent of all Mexican exports destined for sale in the US domestic market. This interconnectedness is strengthened by the North America Free Trade Agreement (NAFTA), which groups Canada, the US and Mexico.²⁸

2.19 In 2013, Mexico invested US\$12.9 billion offshore, making it the 23rd largest investor in the world. Austrade noted that 'Mexico's major companies are actively pursuing an increasingly global approach'.²⁹

23 World Bank, *Mexico data*, http://data.worldbank.org/country/mexico#cp_wdi, (accessed 11 November 2015).

24 Australia-Latin American Business Council, *Submission 17*, p. 2.

25 United Nations Conference on Trade and Development, *World Investment Report 2014: Investing in the SDGs: An Action Plan*, p. xx.

26 Embassy of Mexico, *Submission 9*, p. 5.

27 Embassy of Mexico, *Submission 9*, p. 5.

28 Department of Foreign Affairs and Trade, *Mexico country brief*, <http://dfat.gov.au/geo/mexico/pages/mexico-country-brief.aspx>, (accessed 19 October 2015).

29 Australian Trade Commission, *Submission 39*, p. 13.

Mexican interest in Australia

2.20 Goods imports from Mexico have increased significantly over the last decade. In 2014, goods imports from Mexico were valued at around \$2 billion, with the major imports comprising telecom equipment and parts, alcoholic beverages, medical instruments, and passenger motor vehicles.³⁰ Mexican investment in Australia is primarily concentrated in private real estate and manufacturing.³¹

2.21 The Mexican Trade Commissioner, Esaú Gaza de Vaga, told the committee that 'the Mexican government is really committed and has posed great interest in diversifying its presence and partners in the world' and that 'Australia is one of those partners', pointing to the recent establishment of a trade commission office, ProMéxico, in Australia:

A clear example of what the Mexican government is doing to further expand its presence is having a trade commission in Australia. I am very glad to say that I have recently arrived in Australia as trade commissioner. I have been here for two months and we have already been engaged in different promotion and awareness events. This month, together with the ambassador and with Austrade and the local governments of Victoria and South Australia, we held seminars in the automotive industry. We had the participation of local firms that were exposed to the opportunities the automotive industry presents in Mexico. We confirmed that there is very little or no awareness of these opportunities. The companies were so surprised that we are now working on agendas. They are interested in visiting Mexico to explore and have direct dialogue with potential buyers in Mexico.³²

2.22 The Director of the Export Council of Australia, Andrew Hudson, advised the committee that Mexico is seeking to 'hedge their reliance on the US by engaging more with the Indo-Pacific region'.³³ The ANZMEX Business Council commented on the similarities between Australia and Mexico and highlighted the need for both countries to diversify their trading risk:

After all, [Australia and Mexico] share a very similar set of challenges. We both need to diversify our trading risk by penetrating new global value chains. We are both committed to accelerating a domestic economic reform agenda. We are both committed to educating our people to better seize the opportunities of globalisation. We both must develop the infrastructure that will transform the lives of our communities in tropical and sub-tropical zones. We both can act as much larger gateways to our respective regions.³⁴

30 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

31 Department of Foreign Affairs and Trade, *Submission 30*, p. 7.

32 Counsellor Esaú Gaza de Vaga, Trade Commissioner, ProMéxico, *Committee Hansard*, 29 October 2015, p. 46.

33 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 27.

34 ANZMEX Business Council, *Submission 6*, p. 5.

2.23 DFAT noted that there is increasing awareness and interest in Mexico for expanding ties with Australia and Mexico's desire to expand its exposure in our region:

There is increasing Mexican awareness of the opportunities afforded by engaging with Australia, the 12th largest global economy with comprehensive FTAs with Asian partners include the ASEAN economies, China (subject to ratification), Korea and Japan. The potential for Mexico to hedge its economic reliance on the US by engaging with the Indo-Pacific region is particularly compelling for Mexican policy-makers and the private sector.³⁵

Mexico wants to expand its exposure to the tremendous potential of our region—the Indo Pacific region. It wants to hedge its high exposure to the US economy. It has also realised, as many Latin countries have, that the longstanding transatlantic economic opportunities are now being eclipsed by transpacific opportunities. I think that has been kicked along recently, unfortunately, in some ways, by what has been happening in Europe and with the European economy. So I think Mexico's interest in Australia as a regional gateway into the Indo Pacific is going to grow.³⁶

2.24 The Australia-Latin America Business Council (ALABC) noted that whilst the likelihood of Mexican investment in Australia should not be overstated, Mexican companies have global aspirations and the capacity to make substantial investments for the right assets. The ALABC highlighted the investments made by Mexican multinational companies such as Gruma and Cemex:

Gruma, a Mexican multinational corn flour and tortilla manufacturing company has been active in Australia since 1994. Initially through exporting its products to Australia, but subsequently through local production, primarily under the brands 'Mission' and 'Rositas'. In 2006, Gruma acquired two small tortilla-producing plants in Australia (Rositas Investments and Oz-Mex Foods) and in 2008 it invested a further US\$60m in the construction of a tortilla-producing plant in Epping, Victoria.³⁷

An even more significant investment was made by Cemex – a global player in the building and construction materials industry – in 2007, when the company paid around US\$15bn to acquire ASX-listed Rinker Limited, a company that had previously been spun-off by CSR Limited...the acquisition still ranks as one of the largest foreign investments ever made in Australia and proof that Mexican companies do have global aspirations and the capacity to invest in substantial amounts for the right assets.³⁸

35 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

36 Dr Brendon Hammer, First Assistant Secretary, Americas' Division, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015, p. 56.

37 Australia-Latin American Business Council, *Submission 17*, p. 8.

38 Australia-Latin American Business Council, *Submission 17*, p. 8.

2.25 Trade and investment opportunities for Australian businesses are discussed in Chapter 5 of this report.

Chapter 3

Opportunities to enhance Australia-Mexico relations

3.1 The relationship between Mexico and Australia is strong and growing, with 2016 marking 50 years of diplomatic relations between the two countries. Mexico maintains an Embassy in Canberra and an Honorary Consulate in Melbourne. In 2014, Mexico established a Defence Attaché presence in its Canberra Embassy and, in 2015, opened a ProMéxico trade office in Melbourne. Australia maintains an Embassy in Mexico City and opened an Honorary Consulate in Cancún in 2014.¹

Increased bilateral engagement

3.2 Mexico and Australia work closely together in a range of multilateral fora such as the Asia-Pacific Economic Cooperation (APEC), G20, Organisation for Economic Cooperation (OECD), World Trade Organisation (WTO), and the United Nations (UN). His Excellency Ambassador Armando G. Álvarez Reina praised the strong political relationship between Australia and Mexico:

In the political field we have a very fluid political dialogue at every level. Our leaders have been meeting every year—sometimes twice a year—in the frame of APEC, G20 or other international fora. Our foreign ministers have met six times in only two years in the frame of MIKTA. We have periodical political consultations and parliamentary visits. Recently, the president of the Mexican foreign affairs commission in the Mexican senate was here in Australia. We are partners with some of the most important international fora, like the OECD, APEC, G20 and MIKTA, and we have similar positions regarding the main global subjects.²

3.3 Ambassador Álvarez Reina also emphasised the value Mexico places on strengthening its relationship with Australia and outlined the activities planned in celebration of the 50th anniversary of diplomatic relations between the two countries:

...we are planning to have events all year long. We are planning to have a bilateral exhibition on Indigenous art...we are printing a postage stamp on the 50th anniversary. My foreign minister plans to come to Australia next year to participate in the MIKTA ministerial meeting, chaired by Minister Bishop, and we expect to have the opportunity to have Prime Minister Turnbull visit Mexico on the occasion or alongside his participation in the APEC summit that will take place in Peru next year. That will give a very important impetus to the bilateral relationship, along with the very favourable momentum that is leading the economic relationship, thanks to

1 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

2 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 45.

the conclusion of the TPP negotiations and the economic reforms in Mexico.³

3.4 DFAT advised the committee that Australia's relationship with Mexico is entering a new phase and stressed the Australian government's interest in strengthening ties with Mexico:

The bilateral relationship is entering a new phase. Increasing political cooperation and prospects of greater economic engagement offer new and exciting opportunities for two dynamic, democratic and open countries well positioned to act as gateways to their respective regions.⁴

I know that both of the senior ministers, the foreign affairs minister and the trade and investment minister, are very interested to do more with Mexico...the foreign minister is very interested in Mexico, too, including through the MIKTA organisation...We want to do more. We are looking to do more.⁵

3.5 Stakeholders commended efforts to increase bilateral engagement between Mexico and Australia. However, some submissions recommended that more could be done to develop the relationship.⁶ The ANZMEX Business Council described Mexico and Australia as 'natural partners' but called for greater commitment and prioritisation of the relationship:

The simple solution is that we need to talk more and do more. There does, however, need to be a prioritisation of the bilateral relationship. Our leaders rely too much on meeting in the margins of multilateral fora. Now is the time to elevate the level of bilateral dialogue. To do this not only requires a commitment in time, but also a commitment to energising the relationship with a meaningful programme of co-operation.

...the last visit by an Australian Cabinet Minister, in this case the Foreign Minister the Hon. Julie Bishop, to Mexico was in April 2014 for MIKTA discussions. Disappointingly there has not been a visit from the Australian Trade Minister since 2012, at the time of the G20 in Los Cabos. That around three years has elapsed since an Australian Trade Minister has visited Mexico is regrettable, especially at a time when Mexico's economy

3 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, pp 47–48.

4 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

5 Dr Brendon Hammer, First Assistant Secretary Canada and Latin America Branch, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015 p. 59.

6 For example: Professor Cesar Ortega-Sanchez, *Submission 2*, p. 1; Intermodal Solutions Group Pit to Ship Solutions, *Submission 7*, pp 1–2; Mexican Institute of Infrastructure Development, *Submission 11*, pp1–2; Australia-Latin America Business Council, *Submission 17*, p. 1; University of Sydney, *Submission 23*, p. 3; Council on Australia Latin America Relations, *Submission 24*, p. 6; Mr Victor Pertou, *Submission 25*, pp 1–4; and Export Council of Australia, *Submission 28*, pp 3–4.

has undergone a significant reform programme and while we are negotiating the Trans Pacific Partnership (TPP).⁷

3.6 The Council on Australia Latin America Relations noted that Australia and Mexico share foreign policy and trade policy interests and cooperate on important multilateral and international issues, recommending that the bilateral relationship be elevated to a strategic level:

...Australia and Mexico are well positioned to elevate the partnership by signing a bilateral strategic agreement. Under a strategic partnership, COALAR considers it appropriate that both countries intensify engagement by committing to regular leaders' meetings, regular exchanges of visits between Ministers as well as high-level government officials to discuss key issues of mutual interest to Australia and Mexico as well as shared action in multilateral institutions...we recommend more visits and policy engagement between Australian and Mexican Federal and State Members of Parliament.⁸

3.7 DFAT provided the committee with a list of the most recent high-level visits between the two countries⁹ and acknowledged the importance of on-going high level political engagement between Australia and Mexico:

Ongoing high level political engagement including regular high-level visits both ways, and increased business awareness of trade and investment opportunities in each other's markets will be required if the current positive trajectory in the bilateral relationship is to be maintained.¹⁰

MIKTA

3.8 MIKTA is an innovative partnership that brings together Mexico, Indonesia, the Republic of Korea, Turkey, and Australia. It was established in September 2013 and brings together the foreign ministers of each country three times a year. MIKTA is a consultative forum based on shared values and interests and provides a flexible and informal platform, 'aimed at advancing the common interests of the international community'.¹¹

3.9 The MIKTA countries are significant economic powers, comprising the 12th, 13th, 15th, 16th, and 18th largest economies in the world and each country plays a pivotal strategic role in its region. In addition to sharing economic and strategic weight, the MIKTA countries also share important fundamental values, including

7 ANZMEX Business Council, Submission 6, p. 16.

8 Council on Australia Latin America Relations, *Submission 24*, p. 6.

9 Department of Foreign Affairs and Trade, *Submission 30*, Attachment A.

10 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

11 Department of Foreign Affairs and Trade, *MIKTA – Mexico, Indonesia, the Republic of Korea, Turkey and Australia*, <http://dfat.gov.au/international-relations/international-organisations/mikta/Pages/mikta.aspx>, (accessed 19 November 2015).

'commitment to democracy and human rights, and shared support of free trade and open economies'.¹²

Bilateral agreements

3.10 There is an extensive framework of bilateral agreements between Australia and Mexico that support increased cooperation such as the Agreement on Air Services (2010), an Agreement on the Protection of Investments (2005), the Agreement on Double Taxation (2002), the Memorandum of Understanding (MoU) on Education, Research and Vocational Education and Training (2015), the bilateral Plan of Action (2011), the MoU on Cooperation in Agriculture (2010), the MoU on Mining (2010), the MoU on Political Consultations (2009) and the MoU on Energy (2005).¹³

Trade agreements

3.11 Mexico has a proven interest in free trade, boasting a well-established and broad trade network of 11 Free Trade Agreements (FTAs) with 46 countries. This grants Mexico access to a market of more than 1.1 billion customers. Mexico also has 33 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) and nine trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin America Integration Association (ALADI).¹⁴

3.12 However, Australia and Mexico have not had the advantage of an FTA underpinning their economic relations. Mexico imposed high import tariffs on a range of Australian exports, particularly agricultural goods, including:

- up to 25 per cent (Mexican customs duties) on beef;
- up to 125 per cent on cheese/curd;
- 10 per cent on sheep meat;
- 67 per cent on wheat;
- 20 percent on pork;
- 115 per cent on barley; and
- 20 per cent on wine.¹⁵

3.13 Likewise, Mexican products, such as motor vehicles and automotive parts, attracted Australian import tariffs.¹⁶

12 Department of Foreign Affairs and Trade, *MIKTA – Mexico, Indonesia, the Republic of Korea, Turkey and Australia*, <http://dfat.gov.au/international-relations/international-organisations/mikta/Pages/mikta.aspx>, (accessed 19 November 2015).

13 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

14 Embassy of Mexico, *Submission 9*, p. 5.

15 Department of Foreign Affairs and Trade, *Submission 30*, p. 8; Australian Trade Commission, *Submission 39*, p. 7.

16 Department of Foreign Affairs and Trade, *Submission 30*, p. 8.

3.14 In most sectors, Australian exporters faced competition from countries which benefit from significantly lower tariffs, due to Mexico's free trade agreements.¹⁷ A number of submissions commented on the impact that this has had on Australian businesses.¹⁸ The Export Council of Australia noted that:

Exports of Australian meat, processed food and beverage products to Mexico is currently relatively low. In part this is due to the competitive advantage enjoyed by Canada, the US and Europe through their FTAs with Mexico, which afford them a significant price advantage over Australian products.¹⁹

3.15 The Winemakers Federation of Australia highlighted the significant disadvantage faced by Australian winemakers:

Mexico imposes a tariff of 20% on all wine tariff lines. This rate is zero for countries with an FTA with Mexico (including Canada, USA, Chile and the EU). Clearly this places Australia at a disadvantage in relation to Chile and EU who are major exporters we compete with.²⁰

3.16 The Australian Grape and Wine Authority commented on the impact that this has on the competitiveness of Australian wines in the Mexican market:

...the tariff lifts the retail price of Australian wine beyond what many Mexican middle class consumers are prepared to pay especially given the majority of wine is sold between Mx100-200 at retail level. Australia is the ninth largest exporter to Mexico by value but is the only country in the top ten that does not currently benefit from preferential tariff treatment.²¹

3.17 The Director of the Export Council of Australia, Andrew Hudson, advised that committee that Australia's commercial relationship with Mexico is a number of years behind many of its competitors:

We have to keep in mind that...we are a number of years behind in our commercial relationships with Mexico, because other countries have been focused on NAFTA and related activities. While we have been doing MOUs, we need to accelerate those and get ourselves back into parity position.²²

17 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

18 Winemakers Federation of Australia, *Submission 1*, pp 1–2; Australian Grape and Wine Authority, *Submission 12*, p. 5; Council on Australia Latin America Relations, *Submission 24*, p. 9; Export Council of Australia, *Submission 28*, p. 9;

19 Export Council of Australia, *Submission 28*, p. 9.

20 Winemakers Federation of Australia, *Submission 1*, pp 1–2.

21 Australian Grape and Wine Authority, *Submission 12*, p. 5.

22 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 29.

Trans-Pacific Partnership Agreement (TPP)

3.18 The Trans-Pacific Partnership (TPP) is a regional free trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the US and Vietnam. Negotiations on the TPP were successfully concluded on 6 October 2015 and the text of the agreement was released to the public on 5 November 2015. The text is currently undergoing a process of legal review, translation and verification.²³ Some of the key outcomes of the TPP for Australian goods in Mexico include:

- beef: elimination of all tariffs on beef carcasses and cuts within 10 years and elimination of Mexico's tariff on 'other offal';
- sheep meat: elimination of all tariffs on sheet meat exports to Mexico within eight years;
- pork: immediate elimination of tariffs on pork;
- dairy: new preferential access into Mexico. Mexico will create new quotas for access, including butter, cheese, and milk powders, and will eliminate tariffs on yoghurt;
- cereals and grains: elimination of tariffs on wheat within 10 years and elimination of Mexican tariffs on barley within five years;
- sugar: Mexico will apportion Australia a guaranteed 7 per cent of any tariff rate quota for raw sugar in the years in which it is offered (Australia is only the sixth country Mexico has offered such an outcome);
- wine: elimination of tariffs within three years for higher quality wine and elimination of all tariffs within 10 years for all wine;
- horticulture: immediate elimination of most horticulture tariffs and elimination of all tariffs within 15 years;
- seafood: immediate elimination of most tariffs on seafood and the elimination of all tariffs within 15 years;
- mining equipment: immediate elimination of tariffs on mining equipment;
- manufactured and other goods: immediate elimination of tariffs on leather and sack kraft paper, elimination of tariffs on medicaments within 10 years and other manufactured products within 15 years; and
- government procurement: Australian businesses will now be able to bid for tenders to supply such goods as pharmaceutical products, electronic components, and supplies used for government purposes.²⁴

23 Department of Foreign Affairs and Trade, *Trans-Pacific Partnership*, <http://dfat.gov.au/trade/agreements/tpp/pages/trans-pacific-partnership-agreement-tpp.aspx>, (accessed 19 November 2015).

24 Australian Trade Commission, *Submission 39*, p. 7.

3.19 In addition to goods, the TPP has also opened up market access for Australian services, including:

- oil and gas mining equipment, services and technology (METS);
- professional, technical and other business services;
- education services;
- health services;
- hospitality and tourism services; and
- government procurement.²⁵

3.20 The TPP also provides for preferential temporary entry arrangements for Australian businesspeople. Austrade informed the committee that the TPP provided for:

Preferential temporary entry arrangements for Australia business people and their spouses into key TPP markets, including the waiving of work permits and provision of work rights for spouses in Mexico. Australian business people pursuing opportunities in TPP countries (short-term business visitors) will benefit from greater certainty on length of stay, including for up to six months in Mexico. Mexico agreed to offer guaranteed access to provide legal advice on contracts governed by Australian, international or third party law on a fly-in, fly-out basis.²⁶

3.21 Stakeholders expressed approval and support for the TPP and commented on the positive impact that it would have on trade and relations between Australia and Mexico.²⁷ Austrade informed the committee that the TPP will have a significant impact on Australia's relationship with Mexico:

Austrade expects the TPP to impact Australia's relationship with Mexico significantly. It provides access to an economy with a significant and growing middle class and will facilitate Australia's participation in Mexico's established global value chains (GVCs)...For Australia, Mexico is not simply a destination market, nor is it simply a regional hub, but rather a market positioning itself as a supplier to the world economy.²⁸

25 Australian Trade Commission, *Submission 39*, p. 8.

26 Australian Trade Commission, *Submission 39*, p. 8.

27 For example: Winemakers Federation of Australia, *Submission 1*, p. 4; ANZMEX Business Council, *Submission 6*, p. 19; Intermodal Solutions Group Pit to Ship Solutions, *Submission 7*, pp 1-2; ANZMEX Chamber of Commerce, Supplementary Submission 8.2, pp 1–3; Embassy of Mexico, *Submission 9*, p. 8; Ascenda Corporation, *Submission 10*, p. 13; Australian Grape and Wine Authority, *Submission 12*, p. 5; Council on Australia Latin America Relations, *Submission 24*, p. 6; Woodside Energy, *Submission 26*, p. 1; Export Council of Australia, *Submission 28*, p. 3; Australian Industry Group, *Submission 29*, p. 4; WorleyParsons, *Submission 40*, pp 1–2.

28 Australian Trade Commission, *Submission 39*, p. 6.

3.22 The Council on Australia and Latin America (COALAR) expressed strong support for the TPP, asserting that, 'it offers huge opportunities for expansion of our economic relationship with Mexico'.²⁹ The Export Council of Australia told the committee that 'it is hoped the recently concluded TPP will help level the playing field between Australian and North American producers in Mexico'.³⁰ WorleyParsons applauded the finalisation of the TPP, particularly regarding market access for engineers:

The finalisation of the TPP is an outstanding achievement for Australia and provides further impetus for WorleyParsons to build its presence in Mexico. The market access arrangements that are provided by the agreement for engineers are of particular value to WorleyParsons. The range of preferential temporary entry arrangements are also significant. Changes related to the tariff structures that apply on a range of equipment and technology will also assist WorleyParsons in managing project costs and execution as they will provide greater flexibility in the management of our supply chain.³¹

3.23 DFAT noted that 'the implementation of the TPP agreement will strengthen market access in a range of sectors where Australian companies have, especially since the implementation of NAFTA [North American Free Trade Agreement], been priced out of the market'.³² Trade and investment opportunities for Australian businesses are discussed in Chapter 5 of this report.

Non-tariff barriers

3.24 Meat & Livestock Australia, on behalf of the Australian red meat industry, raised concerns regarding non-tariff barriers such as regulations, testing requirements, additional import-related costs, administrative delays, and poor or confused application of import requirements:

Cumulatively, however, these market access issues can have a serious impact on the commercial environment in Mexico for Australian exporters. Import clearance delays can add significant additional demurrage costs to imported product (with Mexican demurrage and storage costs being very high on a global basis). This in turn can severely impact the financial viability of the importers and exporters involved.³³

3.25 The Winemakers Federation of Australia also called for non-tariff measures regarding labelling, compositional issues (including maximum residue limits), certification, and analytical and testing requirements to be addressed:

29 Mr Victor Pertou, Board Member, Council on Australia Latin America Relations, Committee Hansard, 29 October 2015, p. 4.

30 Export Council of Australia, *Submission 28*, p. 9.

31 WorleyParsons, *Submission 40*, p. 2.

32 Department of Foreign Affairs and Trade, *Submission 30*, p. 13.

33 Meat & Livestock Australia, *Submission 41*, p. 3.

Differing requirements for these cause cost and trade disruptions for exporters. These issues are normally dealt with bilaterally on a case-by-case basis...Failure to deal with these at the systems level leads to expensive and resource intensive approaches with limited success.³⁴

3.26 Meat & Livestock Australia, acknowledged the ongoing efforts of the Australian Embassy in Mexico 'in establishing a wide network of contacts, increasing the awareness of Australia's favourable animal health, quarantine and inspection practices, and improving the procedures and understanding of Mexican importers' but asserted that 'an ongoing effort to address the plethora of non-tariff barriers should be high on the agenda in any moves to improve the bilateral relationship between Australia and Mexico'.³⁵

Biosecurity measures

3.27 COALAR raised concerns regarding Australia's import risk analysis process for Mexican agricultural products, drawing attention to the lengthy time taken for consideration of Mexico's market access requests for avocados, table grapes, and limes:

Mexico continues to express concern regarding Australia's import risk analysis process for agricultural products. In particular, the lengthy time taken for consideration of Mexico's market access requests for avocados, table grapes and limes. Mexico is a major global producer of avocados and limes, both having long histories in Mexican culture and lifestyle.³⁶

3.28 COALAR indicated that Australia's import risk analyses and import conditions are perceived as excessive and unnecessarily slow, warning that this perception has a detrimental effect on trade relations. COALAR acknowledged the importance of appropriate biosecurity measures and food standards, but asserted that any measures should be scientifically justified, risk-based, and timely:

Australia's relations with trading partners are undermined when undue times is taken to conclude import risk analyses and perceived excessive import conditions are subsequently applied. While COALAR supports application of appropriate biosecurity measures and food standards to safeguard Australia's agricultural sector and consumers, such measures need to be scientifically justified and risk-based and the assessment process needs to be concluded in a reasonable timeframe.³⁷

3.29 DFAT also noted that 'lack of access to the Australian market for a range of Mexican agricultural goods, including avocados and limes, in the form of quarantine measures is a long-standing irritant'.³⁸ These very concerns were considered by the Joint Standing Committee on Foreign Affairs, Defence and Trade's (JSCFADT) 2011

34 Winemakers Federation of Australia, *Submission 1*, p. 3.

35 Meat & Livestock Australia, *Submission 41*, p. 3.

36 Council on Australia Latin America Relations, *Submission 24*, p. 9.

37 Council on Australia Latin America Relations, *Submission 24*, p. 9.

38 Department of Foreign Affairs and Trade, *Submission 30*, p. 9.

inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America. In 2009, after asking about the number of products awaiting risk assessment, the JSCFADT was told by the Mexican Ambassador that:

This is an issue that we have been dealing with for several years. There are several products. One of them is avocado, which is very important for the bilateral relationship. We requested a risk analysis for avocados...several years ago and we are still on the waiting list.³⁹

3.30 Conversely, Austrade informed the committee that new health protocols were negotiated in August 2015 to allow Australian companies to export a wider range of animal genetic materials:

In August 2015, the Australian government negotiated new health protocols with Mexico, as well as Chile and Columbia, to allow Australian companies to export a wider range of animal genetic materials to these countries. New Market access has been secured for bovine semen to Mexico, and the Australian government is continuing its negotiations with the Mexican government to secure greater access for other ruminant genetics.⁴⁰

3.31 Similarly, the Australian Council of Wool Exporters and Processors commented on the successful revision of Mexican veterinary requirements for wool and wool grease in 2014, commending the efforts of the Department of Agriculture⁴¹ and the Australian Embassy in Mexico and encouraging 'on-going discussion with Mexico to find ways of speeding up these processes for all agricultural products'.⁴²

Committee view

3.32 The committee is acutely aware of the importance of striking the correct balance between protecting the Australia's animal, plant, and human health status and maintaining market access for food and other agricultural products. However, the committee is concerned by the amount of time it is taking for Australian import risk analyses for Mexican agricultural goods. It appears that the risk analysis for Mexican avocados has been an ongoing issue for over a decade.

3.33 The committee notes that whilst Australian officials have had success in recent years negotiating new health protocols regarding animal genetic materials and wool products to benefit Australian exports, Mexican officials have suffered what, in this committee's opinion, appears to be excessive delays when seeking to negotiate the import of agricultural products such as avocados, table grapes, and limes.

3.34 The committee is concerned that the perception of unnecessarily long delays may have a detrimental impact on Australia's political and commercial relationship with Mexico and may also have a detrimental effect on Australia's ability to negotiate

39 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America*, 2011, p. 74.

40 Export Council of Australia, *Submission 28*, p. 9.

41 Now the Department of Agriculture and Water Resources.

42 Australian Council of Wool Exporters and Processors, *Submission 34*, p. 1.

favourable outcomes for Australian products being imported into Mexico in the future. As such the committee urges the Department of Agriculture and Water Resources and Biosecurity Australia to assign the highest priority to completing import risk analyses for Mexican agricultural good such as avocados, table grapes, and limes currently awaiting review.

Recommendation 1

3.35 The committee recommends that the Department of Agriculture and Water Resources and Biosecurity Australia assign high priority to the import risk analyses for Mexican agricultural goods such as avocados, table grapes and limes currently awaiting import risk analysis. If the analyses cannot be concluded before the end of 2016, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion for each product.

Transport links

Air-links

3.36 Mexico is a top destination for Australian travellers in the Latin America region, with approximately 71 500 Australians visiting Mexico in 2014. The number of Australians visiting Mexico has increased by 64 per cent over the last five years.⁴³ However, at present, there is no direct air link between Mexico and Australia. A significant number of submissions raised the lack of a direct flight between Mexico and Australia as a key impediment to strengthening ties between Mexico and Australia.⁴⁴ EXATEC noted that 'Australia and Mexico are geographically far from each other, but they are even further in terms of approachability. If the first constraint is not manageable, the second is'.⁴⁵

3.37 The importance of establishing an air link between Mexico and Australia has been acknowledged by past parliamentary inquiries, including a report from this committee tabled in June 1992, which recommended that a taskforce be established to investigate and encourage the establishment of air links between Australia and Latin America.⁴⁶ The JSCFADT also highlighted the issue in its 2007 report, noting that 'it is believed that more significant growth is hampered by the long distances separating

43 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

44 For example: EXATEC, *Submission 4*, p. 1; ANZMEX Business Council, *Submission 6*, p. 31; ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*; Mrs Cynthia Gavito Paredes, *Submission 13*, p. 1; Council on Australia Latin America Relations, *Submission 24*, p. 8; Mr Victor Pertone, *Submission 25*, p. 3; Export Council of Australia, *Submission 28*, p. 17; and Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

45 EXATEC, *Submission 4*, p. 1.

46 Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia and Latin America*, June 1992, pp 14–15.

Australia and Mexico and the absence of direct flights'.⁴⁷ The matter was raised again in the 2011 JSCFADT report.⁴⁸

Current flight options

3.38 At present, the most direct flights between Australia and Mexico are offered by Qantas, Virgin Australia, and United Airlines. All of these services travel via the US, through Los Angeles, Dallas-Fort Worth, and San Francisco. Virgin Australia code-shares its flights to Mexico with Delta Airlines and Qantas code-shares its flights to Mexico with American Airlines and Alaska Airlines.⁴⁹ Furthermore, as demonstrated in Table 3.1, flights between Mexico and Australia are costly, both in time and money.

Table 3.1 – Flights Time and Price Comparison

Flight period: 7 January – 30 June		
Routes	Time (hours)	Price* (AUD)
Mexico-LAX-Melbourne	38	\$4,112
Mexico-Dallas-Melbourne	32	\$4,721
Bogota-Melbourne (via Dallas)	32	\$4,888
Bogota-Melbourne (via Santiago)	32	\$4,884
Caracas-Melbourne (via Dallas)	33	\$9,194
Caracas-Melbourne (via Santiago)	31	\$5,641
Quito-Melbourne (via Dallas)	39	\$4,590
Quito-Melbourne (via Santiago)	32	\$5,735
Average	34	\$5,471

* Cheapest route found on 22 September 2015 (date of retrieval)

ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 12.

47 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade with Mexico and the Region*, August 2007, p. 42.

48 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade and investment relations with Asia, the Pacific and Latin America*, July 2011, pp 73–74.

49 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 7.

Impact on trade and businesses

3.39 The ANZMEX Chamber of Commerce noted that the establishment of direct air links 'serve as a critical catalyst for accelerating trade between two countries'.⁵⁰ The Council on Australia Latin America Relations (COALAR) agreed, recommending that the Australian Government 'promote the establishment of direct flights between Australia and Mexico and ensure that any regulatory barriers for airlines to do so are removed'.⁵¹

3.40 The Export Council of Australia highlighted the importance of face-to-face communication when building strong business relationships and the positive impact of a direct flight on promoting Australia-Mexico business relations:

In Latin America, building strong relationships and forming trust requires a significant amount of time spent communicating face-to-face. While the distance between Australia and Mexico is not insurmountable, introducing a direct flight would help Australian and Mexican business people more easily build these relationships and generate more bi-lateral trade.⁵²

3.41 Mr Andrew Hudson, Director of the Export Council of Australia, also noted the cost in time faced by business people wishing to travel between Australia and Mexico and the impact of this on their ability to conduct business:

I have been to Mexico by air a few times for work—and, indeed, to South and Central America—and it is one of the more absolutely difficult. It is surprising; you would not have thought that a journey of that type should pose an impediment. But it is just the sheer idea of having to get on a plane and go to somewhere and then go somewhere else and then go a third place, with all the transit and visas issues. Actually getting through all those spaces can add a significant amount of time to the travel experience and the fatigue. That adds to the ability to actually conduct the business successfully, especially when you compare it to, obviously, the NAFTA people who just fly straight in and are straight off to business, as opposed to our coming from a long way away.⁵³

3.42 Dr Victor Del Rio, President of the ANZMEX Chamber of Commerce, highlighted the significant cost in time of travelling between Mexico and Australia. Dr Del Rio told that committee that he has travelled between Australia and Mexico close to 40 times, a journey which takes him approximately 32 hours:

I have been almost 40 times to Mexico. This time when I went to Mexico I flew from Sydney to Dallas, and then from Dallas to Mexico, and I had to

50 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 4.

51 Council on Australia Latin America Relations, *Submission 24*, p. 8.

52 Export Council of Australia, *Submission 28*, p. 17.

53 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 31.

wait six hours at the airport. It took me around 32 hours to get to where I wanted to go, because I departed from Melbourne.⁵⁴

Transit visas

3.43 The Department of Foreign Affairs and Trade (DFAT) noted that the necessity of travelling through the US when travelling from Mexico to Australia is a significant disincentive for Mexican travellers:

...the absence of direct flights limits potential, particularly for Mexican travellers to Australia. In the absence of direct flights, the most efficient and cost-effective travel route is via the US. But Mexicans transiting through the US are required to obtain a US visa, which acts as a significant disincentive.⁵⁵

3.44 EXATEC also commented on the need for costly transit visas when travelling through the US:

Travelling from Mexico to Australia or Australia to Mexico takes about 24 hours. It usually requires multiple stops. The main route options are the USA or Chile. The first option is regularly the cheapest. However, travelling through the USA requires an additional and costly visa. Travelling through Chile is easier, but the costs are usually double. In contrast, a direct flight from Mexico City to Melbourne or Sydney would take about 14 hours and one visa only – the Australian.⁵⁶

Viability of direct flights

3.45 The ANZMEX Chamber of Commerce analysed the feasibility of two proposed routes between Mexico and Australia. The first, Melbourne-Auckland-Cancun, proposed for 2018, would take an estimated 28 hours (including five hours for airport transits). The second, Melbourne-Mexico, proposed for 2022, would take an estimated 17 hours.⁵⁷

3.46 The ANZMEX Chamber of Commerce discussed the economic, technical and legal viabilities of the proposed routes. Economic feasibility was considered, including critical passenger mass; secondary passenger demand; competitiveness of the routes for distance; time and price; and predicted demand. The proposals for the routes also considered a range of technical factors including the capacity of long haul aeroplanes directly between Australia and Mexico; airlines' current available capacity to allocate long haul aeroplanes to a new route; the capacity of Mexican airports to accommodate new overseas airlines; and air-route fees.⁵⁸

54 Dr Victor Del Rio, President, ANZMEX Chamber of Commerce, *Committee Hansard*, 29 October 2015, p. 9.

55 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

56 EXATEC, *Submission 4*, p. 1.

57 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 11.

58 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, pp 14–17.

3.47 The ANZMEX Chamber of Commerce noted that the legal framework was not strong enough to support direct flights between Mexico and Australia in 2007. However, with the establishment of five air service agreements between Australia, New Zealand, and Mexico, together with two airline code-sharing alliances, the legal frameworks for all three countries are now in place for direct flights.⁵⁹ To achieve this, the ANZMEX Chamber of Commerce recommended the formation of a taskforce comprising Mexican and Australian authorities, representatives of interested airlines, representatives of the tourism industries in both countries, and ANZMEX to analyse in greater detail the establishment of direct flights between Australia and Mexico.⁶⁰

Freight links

3.48 Some submitters noted that freight links (both air and sea) between Australia and Mexico would need to be improved in order to strengthen trade between the two countries. DFAT identified air and sea connectivity as the foremost impediment to improving bilateral ties with Mexico:

Effort will be required to address remaining impediments to closer bilateral ties. Foremost among these is connectivity – through air and sea transport links – which continues to operate as a brake to the bilateral relationship realising its full potential.⁶¹

3.49 The Export Council of Australia emphasised the necessity of strong, clear transport routes between Australia and Mexico:

We will have to look at other things too, such as the ability of our service providers to get there but also the ability of our goods to get there. We are looking at aviation and sea routes into that part of the world. They will have to be improved to overcome some of the logistic and geographical disadvantages we may experience.⁶²

Committee view

3.50 The lack of connectivity between Australia and Mexico is a clear impediment to the growth of relations between our two countries. High costs, both in time and money, coupled with the additional challenges of transit visa requirements do not encourage Mexican business people, students, or tourists to visit Australia. It is clear that direct flights between Mexico and Australia would have a strong positive impact.

3.51 The committee commends the ANZMEX Chamber of Commerce submission for its detailed analysis of the economic, technical, and legal viability of establishing direct flights between Australia and Mexico. Further, the committee supports its recommendation that a taskforce comprising Mexican and Australian authorities, representatives of interested airlines, representatives of the tourism industries in both

59 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 17.

60 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 21.

61 Department of Foreign Affairs and Trade, *Submission 30*, p. 2.

62 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 29.

countries, and ANZMEX analyse and work towards the goal of establishing direct flights between Australia and Mexico in the near future.

Recommendation 2

3.52 The committee recommends that the Department of Foreign Affairs and Trade, working with Mexican authorities, develop a strategic plan for the establishment of direct flights between Mexico and Australia by 2020. The strategic plan should incorporate consultation with airlines, tourism industries in both countries, and ANZMEX and should be presented to the Parliament before December 2016.

Tourism

3.53 Mexico is the tenth most visited country in the world, receiving more than 26 million foreign visitors in 2014.⁶³ Of those, 71 500 were Australian visitors. Ambassador Álvarez Reina pointed to Mexico's culture and natural beauty as the reason for its popularity as a leading world tourist destination:

We are the 10th most visited country in the world. Last year, we received more than 26 million foreign visitors, which is a little more than the population of Australia. Most of them come back to Mexico for a second or a third time. The reason for that is Mexico offers not only natural beauty but also cultural attractions. Mexico has one of the largest heritages in the whole world.⁶⁴

3.54 By contrast, only 8 100 Mexican travellers visited Australia in the same period.⁶⁵ Both Mexican and Australian travellers face the same costs, in time and money, to travel to each other's country; however, the visa processes for Mexican travellers visiting Australia are significantly more difficult, time consuming, and costly than those for Australians visiting Mexico.

Australian visa processes

3.55 There are three travel visa options available for people wishing to visit Australia:

- Visitor visa (subclass 600) – allows people travelling to Australia as a tourist, for business visitor activities, and/or to see family to visit Australia for a period of up to three, six or 12 months. The base application fee for this visa is between \$135 and \$340;

63 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 44.

64 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 44.

65 Department of Foreign Affairs and Trade, *Submission 30*, Attachment C.

- Electronic Travel Authority visa (ETA) (subclass 601) – allows people from eligible countries⁶⁶ travelling to Australia as a tourist and/or for business visitor activities to visit Australia multiple times (for up to three months at a time) within a 12 month period. The service charge for this visa is \$20; and
- eVisitor visa (subclass 651) – allows people from eligible countries⁶⁷ travelling to Australia as a tourist and/or for business visitor activities to visit Australia multiple times (for up to three months at a time) within a 12 month period. The eVisitor visa is free.⁶⁸

3.56 When lodging an application for a Visitor visa (subclass 600) from certain locations⁶⁹ biometrics data (such as fingerprints, facial structure, iris, and voice data) is required. The biometrics data must be collected at Australian Visa Application Centres, Australian Biometrics Collection Centres or at Australian Missions.⁷⁰

3.57 At present, Mexican travellers are only eligible to apply for a Visitor visa as they are not eligible for either the ETA or the eVisitor visas. Mexico is also one of the locations where lodging an application for a Visitor visa requires the collection of biometrics data. Conversely, Australian citizens are able to enter Mexico as tourists or business visitors for up to 180 days without needing a visa.⁷¹

3.58 Some submissions raised concerns regarding the Australian visa application process, the time taken to issue visas, and the need for Mexican travellers to provide biometric data.⁷² COALAR informed the committee that the biometric data required

66 Andorra, Austria, Belgium, Brunei, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (SAR of China), Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Malta, Monaco, Norway, Portugal, Republic of San Marino, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, The Netherlands, United Kingdom (British Citizen), United Kingdom (British National Overseas), United States of America, and Vatican City.

67 Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, The Netherlands, Norway, Poland, Portugal, Romania, Republic of San Marino, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom (British Citizen), and Vatican City.

68 Department of Immigration and Border Protection, *Visitor visa options*, <http://www.border.gov.au/Trav/Visi/Visi>, (accessed 19 November 2015).

69 Bahrain, Bangladesh, Cambodia, Colombia, Ethiopia, France, Ghana, Hong Kong, Jordan, Kenya, Kuwait, Lebanon, Malaysia, Mexico, Myanmar, New Zealand, Nepal, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, Sri Lanka, United Arab Emirates, Vietnam, Yemen, and Zimbabwe.

70 Department of Immigration and Border Protection, *Biometrics collection*, <http://www.border.gov.au/Trav/Visa/Biom>, (accessed 19 November 2015).

71 Mexican Secretariat of the Interior, *Countries and regions that do not require a visa to travel to Mexico*, http://www.inm.gob.mx/index.php/page/Paises_No_Visa/en.html, (accessed 19 November 2015).

72 For example: Ms Erika Deery, *Submission 3*, p. 1; ANZMEX Business Council, *Submission 6*, pp 23-24; ANZMEX Chamber of Commerce, *Submission 8.3*; p. 13; Council on Australia Latin America Relations, *Submission 24*, p. 8; and Mr Victor Pertou, *Submission 25*, p. 3.

for Australian visa applications 'currently can only be provided at three Australian Biometric Collection Centres in Mexico City, Monterrey and Guadalajara'.⁷³ Student visa applications are discussed in Chapter 4 of this report.

3.59 COALAR recommended that the visa process for Mexicans wishing to travel to Australia be streamlined and for Mexico travellers to be made eligible for ETA visas.⁷⁴ Mr Victor Perton acknowledged that DFAT was working to improve current visa processes but that 'at this point, the arrangements are cumbersome and slow thus deterring Mexicans from making travel arrangements to come to Australia in favour of countries with speedier visa arrangements'.⁷⁵ Dr Del Rio agreed, asserting that granting Mexican travellers eligibility for ETA visas would boost the number of travellers:

If we allow Mexicans to have access to the e-visa and the ETA visa, that is going to accelerate the number of people from Mexico coming to Australia. We will then need more flights. If we have an overall strategy that we could negotiate in the right way, we can have a bright future.⁷⁶

3.60 DFAT advised the committee that Australia is currently seeking to conclude negotiations with Mexico regarding work and holiday visa arrangements, but that 'progress is dependent on Mexico finalising a "model" for approving various outstanding work and holiday agreement requests with a range of countries'.⁷⁷ DFAT supported the calls for improving visa processes and options for Mexican travellers but advised the committee that the ETA is 'an antiquated product' which is being replaced:

The Electronic Travel Authority would be, in my view, the solution to almost all of the complaints that are raised, not just by Mexico but by other countries in Latin America. We have undertaken significant outreach to the department of immigration specifically on securing access for Latin America to the ETA and have been told that the ETA is an antiquated product which is being replaced by the electronic visa system. Consequently, even though that is the solution in our view, there have not been countries added to that ETA list for upwards of a decade. We are reliably told by Immigration officials that it is an antiquated product and that they are in fact trying to not replace but overtake it with better products.⁷⁸

73 Council on Australia Latin America Relations, *Submission 24*, p. 8.

74 Council on Australia Latin America Relations, *Submission 24*, p. 8.

75 Mr Victor Perton, *Submission 25*, p. 3.

76 Dr Del Rio, President, ANZMEX Chamber of Commerce, *Committee Hansard*, 29 October 2015, p. 9.

77 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

78 Mr Brett Hackett, Assistant Secretary, Canada, Latin America Branch, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015, p. 61.

Working holiday visa

3.61 Some submissions called for the introduction of a reciprocal working holiday visa program.⁷⁹ Ms Erika Deery asserted that 'a work and holiday visa would definitely increase the number of Mexicans travelling to Australia'.⁸⁰ COALAR similarly noted that a working holiday visa program would increase the number of Mexican tourists visiting Australia and might also relieve labour shortages:

COALAR considers it appropriate that the WHV [Working Holiday Visa] program be extended to allow young Mexicans to work in Australia whilst on holiday. Extending the program would increase Mexican tourists and potentially help alleviate labour shortages in some industry sectors.⁸¹

Committee view

3.62 The committee recognises that the Visitor visa (subclass 600) is both onerous and costly when compared with the ETA visa (subclass 601) or the eVisitor visa (subclass 651). It is clear that granting Mexican travellers access to faster, cheaper, and easier visas would have a positive impact on bilateral relations and encourage Mexican travellers to visit Australia. The committee supports granting Mexican travellers eligibility for the eVisitor visa (subclass 651). The committee acknowledges that negotiations regarding work and holiday visa arrangements are currently underway.

Recommendation 3

3.63 The committee recommends that the Australian government work to grant Mexican travellers eligibility for the eVisitor visa before the end of 2016. If this is not possible, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion.

Australia's perceptions of Mexico

Cultural promotion

3.64 Several submissions highlighted the growing cultural links between Australia and Mexico.⁸² The Embassy of Mexico noted that Australia and Mexico have highly complementary cultures:

Our peoples share common cultural values and features, both have deep respect and appreciation for their indigenous cultures, and family values. There is a growing and mutual interest in the fields of gastronomy, music, and other cultural manifestations. The cultural values that are embodied by

79 For example: Ms Erika Deery, *Submission 3*, p. 1; Council on Australia Latin America Relations, *Submission 24*, p. 8.

80 Ms Erika Deery, *Submission 3*, p. 1.

81 Council on Australia Latin America Relations, *Submission 24*, p. 8.

82 For example: ANZMEX Business Council, *Submission 6*, p. 15; ANZMEX Chamber of Commerce, *Supplementary Submission 8.3*, p. 6; Embassy of Mexico, *Submission 9*, p. 9; Mr Luis Ferra, *Submission 20*, pp 2–3; and Ms Monique de Groot, *Submission 22*, p. 3.

Australia and the excellent life quality that its many cities offer are a magnet to Mexican tourists, students and highly skilled migrants. Every year, the number of Australian tourists and students travelling to Mexico is growing.⁸³

3.65 The ANZMEX Chamber of Commerce highlighted the importance of language and called for Australia and Mexico to teach each other's language as a national priority, noting that, 'for many decades the positive relationship between international trade and linguistic competence has been recognised...Both Australia and Mexico could work together to promote and support the teaching of Spanish and English respectively'.⁸⁴ Language barriers are discussed in Chapter 4 of this report.

3.66 Mr Victor Pertou called for the Parliament to 'take the lead by joining the Mexican community in their festivals and fora'.⁸⁵ Mr Luis Felipe Ferra and Mrs Valeria Estefan drew the Mexican Jazz Exists Festival to the committee's attention.⁸⁶ Ms Monique de Groot highlighted film as a key opportunity to expand cultural relations noting that, at present, the Australian and Mexican film industries do not have a Memorandum of Understanding or a co-production treaty:

Australia does not currently have a Memorandum of Understanding nor a Co-Production Treaty with any Latin American country. Mexico's strong cultural and fiscal incentive credentials make it an ideal candidate – and the 50 year anniversary of relations in 2016 would be an opportune time to expand Australia's cultural exchange in the region.⁸⁷

3.67 The ANZMEX Business Council commended cultural promotion programs and activities. It asserted that support for cultural promotion programs and activities that have a proven track record of success, such as the photographic exposition on Chapultepec fence, film festivals, and the international culture fair in Mexico City's Zocalo, would bring sustainable benefits to the bilateral relationship. The ANZMEX Business Council recommended:

That DFAT or COALAR provide additional funding to the Australian Embassy to support cultural promotion activities and to support an MOU Agreement with CONACULTA (Mexico's Cultural organization).⁸⁸

People-to-people links

3.68 Ambassador Álvarez Reina highlighted the growing people-to-people connections between Mexico and Australia, stating that 'we have growing people-to-people contacts—growing Australian tourists in Mexico and growing Mexican

83 Embassy of Mexico, *Submission 9*, p. 9.

84 ANZMEX Chamber of Commerce, Supplementary *Submission 8.3*, p. 2.

85 Mr Victor Pertou, *Submission 25*, pp 2–3.

86 Mr Luis Ferra, *Submission 20*, pp 2–6.

87 Ms Monique de Groot, *Submission 22*, p. 3.

88 ANZMEX Business Council, *Submission 6*, pp 16–18.

students in Australia'.⁸⁹ COALAR also stressed the importance of these connections and when asked the best way to advance Australia and Mexico's relationship, told the committee that 'it is the people-to-people connections that are most important'.⁹⁰

3.69 The University of Sydney agreed:

Our capacity to develop linkages and partnerships in Mexico over the long term will depend on the quality of our formal and people-to-people links, and the extent to which Australia invests strategically in positioning itself in Mexico as an attractive country with which to develop business, research, education and other linkages.⁹¹

3.70 The Australia-Latin America Business Council also commented on the power of people-to-people connections, pointing to an example of an Australian poultry business which utilised people-to-people links in Brazil to establish what is now a thriving export relationship:

He spoke of how they exported Australian chooks to Brazil, which was quite amazing, because they never thought that the Brazilians were going to buy Australian chooks. He spoke of how he built that relationship from an executive assistant that he had, who happened to be Brazilian and had a relationship with someone who was in the chook industry. They built this very people-to-people relationship and ended up exporting I do not know how many chooks to Brazil. It has been a massive success story.⁹²

3.71 The Mexican Institute of Infrastructure and Development (IMEXDI) discussed the importance of building long-term relationships between Australia and Mexico's academic, media, and business communities commending and providing suggestions for the improvement of a number of forums, including Australia-Mexico Second-Track Dialogue, Australia-Mexico Infrastructure Finance Forum, and the Australian-Mexican Committee Linked to the Global Infrastructure Hub.⁹³ Intermodal Solutions Group—Pit to Ship Solutions commended Austrade's work conducting trade missions and its impact on strengthening and promoting commercial relationships between Australian and Mexican companies.⁹⁴

Corruption and insecurity

3.72 A number of submissions commented on corruption and security issues in Mexico, as well as the impact that misperceptions about the extent of these issues is

89 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 45.

90 Mr Victor Pertou, Board Member, Council on Australia Latin America Relations, *Committee Hansard*, 29 October 2015, p. 2.

91 University of Sydney, *Submission 23*, p. 1.

92 Ms Sandra Meiras, Board Director, Australia-Latin America Business Council, *Committee Hansard*, 29 October 2015, p. 25.

93 Mexican Institute of Infrastructure and Development (IMEXDI), *Submission 11*, pp 1–4.

94 Intermodal Solutions Group—Pit-to-Ship Solutions, *Submission 7*, p. 1.

having on Australian businesses' decisions to operate in Mexico.⁹⁵ The Australia-Latin America Business Council (ALABC) outlined a number of factors which have the potential to impact Australian companies wishing to operate in Mexico but cautioned that, whilst it is important to acknowledge and consider these factors, they should not prevent Australian businesses from seeking to do business in Mexico:

Daunting as these issues may be, it is worth noting that they have not prevented Mexico from growing its economy or deterred companies from throughout the world from investing in Mexico. They are issues that need to be acknowledged and managed as required, but they should not prevent Australian companies from seeking to do business in Mexico.⁹⁶

3.73 Australian Industry Group (Ai Group) told the committee that 'the perception of corruption in Mexico is quite high amongst Australian businesses'.⁹⁷ COALAR commented on Australian businesses' concerns regarding corruption and insecurity in Mexico, noting that these negative perceptions seem to be largely limited to the business sector:

If you look at the media coverage of Mexico, in terms of a tourist destination the newspapers and television seem to be very good...If you look at the number of Australians actually travelling to Mexico, the numbers have increased dramatically. So it has not put the tourist traveller off. But, on the other hand, the propensity to focus on what are notoriously violent events in the north of Mexico, and on corruption, obviously inhibits some business people from making the trip and thinking about Mexico as a destination.⁹⁸

3.74 When asked about Australian businesses' perceptions of Mexico, Ambassador Álvarez Reina responded that, whilst the Mexican government is actively addressing security problems, concerns regarding security and corruption have not deterred other countries from visiting, investing, and doing business in Mexico:

Mexico is the 10th largest recipient of foreign tourists worldwide. Most of them come to Mexico for a second and third visit. So the problems of security that we do have and that we are addressing are not impeding us being the 10th largest recipient of tourists worldwide. In the same sense, these problems that we are addressing are not impeding Mexico being the seventh largest destination for foreign investment. If the world trusts Mexico with its money and its people, it is because they trust Mexico. So we need to send the message that Mexico is safe for visiting, that Mexico is

95 For example: Australia-Latin America Business Council, *Submission 17*, pp 4-5; Australian Trade Commission, *Submission 39*, p. 16; Department of Foreign Affairs and Trade, *Submission 30*, p. 11.

96 Australia-Latin America Business Council, *Submission 17*, pp 4-5.

97 Ms Louise McGrath, National Manager, Business and International Advisory Services, Australian Industry Group, *Committee Hansard*, 29 October 2015, p. 51.

98 Mr Victor Perton, Board Member, Council on Australia Latin America Relations, *Committee Hansard*, 29 October 2015, p. 2.

safe for investing and that the Mexican government and the Mexican society are addressing the problems of security that we do have.⁹⁹

3.75 Austrade advised that negative perceptions of Mexico and the Mexican market present a significant barrier to entry for Australian business, and that 'many first time business visitors to Mexico City are surprised and remark on the sophistication of its culture and commerce':

While there are more than 100 Australian companies and other institutions now doing business in Mexico, many Australian businesses approach Mexico with caution, largely due to media reporting that focusses on corruption and security issues. This is especially the case for Australia's innovated small-to-medium sized businesses, many of whom are not present in the market. Often Australian companies overlook the fact that Mexico's commercial sector exhibits a rare global literacy in trade and investment, especially in doing businesses with the United States.¹⁰⁰

3.76 NOJA Power told the committee of its experiences in Mexico, noting that although Mexico has a negative reputation it is a safe and secure place to do business. NOJA Power stated that:

We have always found our Mexican customer the local electricity utility CFE and our partners in Mexico to be highly reliable, honest and diligent business partners and we have enjoyed great success as a result.¹⁰¹

3.77 The Australian Trade Commission (Austrade) acknowledged that, while security and corruptions issues do exist, security issues tend to be highly regionalised and that incidences of corruption are usually concentrated in certain industries. DFAT agreed, noting that concerns regarding the potential impact of security and corruption on Australian businesses in Mexico 'have been exaggerated in terms of their potential impact on market development plans'.¹⁰²

Committee view

3.78 In order for connections to be made, people must know and understand one another. The promotion of Mexican culture in Australia and Australian culture in Mexico through music, food, film, art, and other mediums will raise awareness and stimulate understanding between our two peoples.

3.79 The committee is concerned about Australian perceptions of corruption and insecurity in Mexico, especially amongst the Australian business community. The committee acknowledges that business must always consider these factors when determining the risks of investing or doing business in another country. Nonetheless, when the potential impact of these factors is exaggerated, the ability for

99 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 47.

100 Australian Trade Commission, *Submission 39*, p. 16.

101 NOJA Power, *Submission 14*, p. 1.

102 Department of Foreign Affairs and Trade, *Submission 30*, p. 11.

business to rationally balance risk and opportunity is compromised. The committee recognises and commends the work of the Mexican government to address its security and corruption issues.

Recommendation 4

3.80 The committee recommends that the Australian government work with Australian businesses to raise awareness of the risks and benefits of doing business in Mexico and to dispel exaggerations of risk with regards to security and corruption in Mexico.

Chapter 4

Education and Research

4.1 The Australian government's Department of Education and Training (DET) and the Mexican government's Secretariat for Public Education (SEP) first signed a Memorandum of Understanding (MoU) on cooperation in education and training in 2003. The MoU provided a framework for cooperative activities and was renewed in 2008 and again in 2015.¹ The MoU enables development of future collaboration and facilitates the exchange of teaching materials, accreditation systems, education policies and occupational standards.²

4.2 In 2005 and 2011 Australia hosted delegations of senior officials from Mexico to discuss education policies including early childhood, schooling, teacher quality, vocational education, and quality assurance arrangements. The 2011 visit concluded with a postgraduate study scholarship agreement between the SEP and Macquarie University.³

4.3 Following the appointment of a DET Education and Science Counsellor in Latin America in 2014 and the signing of the new MoU in 2015, DET is working with the SEP to establish a joint education committee to undertake a range of work to 2018:

Consistent with the bilateral discussions which have taken place during the past year to identify topics of mutual interest, the joint work is expected to include qualifications framework and recognition arrangements; teacher training (including English) and evaluation; equity, access and participation; education quality and funding (schools, VET and higher education); federal-state education roles and responsibilities; research systems, policies, quality and impacts; and sharing experiences about policy implementation practices.⁴

Multilateral engagement

4.4 The Australian government works with Mexico in the Asia Pacific Economic Cooperation (APEC) forum to support cross-border education cooperation. DET also works with Mexico through the Pacific Alliance on qualification frameworks and recognition arrangements. In September 2015, DET hosted a workshop which provided a holistic view on Australian qualification recognition, national frameworks, government policy and legislation from creation to implementation.⁵

4.5 The workshop provided an opportunity for participants to understand the roles and responsibilities of key stakeholders during meetings with Australia's quality

1 Department of Education and Training, *Submission 21*, p. 2.

2 Secretariat for Public Education, *Submission 5*, p. 1.

3 Department of Education and Training, *Submission 21*, p. 2.

4 Department of Education and Training, *Submission 21*, p. 5.

5 Department of Education and Training, *Submission 21*, p. 2.

assurance agencies, institutions, professional bodies and non-government assessing authorities.⁶

Mexican student mobility

4.6 As at July 2015 there were approximately 1 000 Mexican students enrolled at Australian higher education institutions with the majority studying commerce and management.⁷ In 2012, over 27 000 Mexican tertiary students studied overseas with 50 per cent choosing to study in the United States. Other popular destinations include Spain, France, Germany and the UK. Australia is the eighth most popular destination, with only two per cent of Mexico's international tertiary students.⁸

4.7 Mexico is Australia's fourth largest source of international students from Latin America after Brazil, Colombia and Chile. In 2014, there were 2 117 Mexican students enrolled in Australia in the following categories:

- 27 per cent in English Language Intensive Courses for Overseas Students;
- 27 per cent in Higher Education; and
- 24.5 per cent in Vocational Education and Training (VET).⁹

4.8 The number of enrolments is almost 90 per cent higher than it was 10 years ago and 21 per cent higher than in 2013.¹⁰ Education Intelligence¹¹ has projected that Mexico will have one of the most mobile tertiary age populations aged between 18 and 22 in the world by 2024.¹²

Scope for increased collaboration in the education sector

4.9 Australia's education and research engagement with Mexico has grown over the past ten years but is still relatively small, both in relation to Australia's global engagement and Australia's share of Mexico's international engagement.¹³

4.10 Various opportunities exist for Australian providers not only in student mobility but VET and English language training as well. Given Mexico's commitment to improving its level of education and the strong reputation Australian institutions have in this field, there is considerable scope for Australia's education sector to benefit from the investment that the Mexican government plans to make in this sector.¹⁴

6 Department of Education and Training, *Submission 21*, p. 2.

7 Universities Australia, *Submission 33*, p. 2.

8 Department of Education and Training, *Submission 21*, p. 3.

9 Department of Education and Training, *Submission 21*, p. 3.

10 Department of Education and Training, *Submission 21*, p. 3.

11 Education Intelligence is the British Council's global research team specialising in higher education.

12 Australian Trade Commission, *Submission 39*, p. 15.

13 Department of Education and Training, *Submission 21*, p. 1.

14 Australia-Latin America Business Council, *Submission 17*, p. 6.

4.11 Mexico's education sector grew faster than Latin America overall during 2014, with an increase of more than 25 per cent in commencements.¹⁵ In terms of international student flows, Mexico represents a significant emerging market. Mexico also initiated an ambitious education reform agenda under the *Pacto por Mexico*, which was agreed between Mexico's three main political parties in December 2012. The reforms were aimed at increasing participation and improving the quality of education. The agenda covers areas such as teacher quality, evaluation and assessment practices; school infrastructure; curriculum; and duration of compulsory education.¹⁶

4.12 However, Mexico presents greater challenges than most other Latin American markets given the student preference to be educated in Mexico, its proximity to competitors like the United States and Canada, and the absence of significant Australian scholarship programs for students.¹⁷

4.13 Universities Australia data indicates that in 2014 there were 101 active agreements between 37 Mexican institutions and 22 Australian universities.¹⁸ This represents little more than one per cent of the almost 8 000 active agreements that Australian universities had in place in that year. The Australian Trade Commission (Austrade) noted in their submission:

There is potential to increase the number of Mexicans studying in Australia and opportunities to capitalise on niche transnational education training, research and consultancy services. A highly educated and skilled workforce is required to achieve Mexico's economic development objectives and existing skills gaps need to be addressed.¹⁹

4.14 Submitters also highlighted that some of Mexico's lead institutions are insisting that students study overseas. For example, Tec de Monterrey²⁰ has a goal that 90 per cent of its graduating students will have studied overseas.²¹ The rise of Mexico's middle-class, which now numbers in excess of 70 million, has also raised the prospect for an increasing number of students to study overseas.

4.15 The Trans-Pacific Partnership (TPP) also provides a new platform to increase education engagement with Mexico. DET's submission explained:

Australian universities and vocational education providers seeking to establish or expand a campus or institution will benefit from commitments offered by Mexico that will lock in existing market openness and guarantee that future liberalisation will be captured as a TPP commitment.

15 Australia-Latin America Business Council, *Submission 17*, p. 6.

16 Department of Education and Training, *Submission 21*, p. 4.

17 Australian Trade Commission, *Submission 39*, p. 15.

18 Department of Education and Training, *Submission 21*, p. 3.

19 Australian Trade Commission, *Submission 39*, p. 14.

20 Monterrey Institute of Technology and Higher Education, Monterrey, Mexico.

21 ANZMEX Business Council, *Submission 6*, p. 22.

Mexico has also guaranteed access for Australian international schools. In addition, independent Australian education professionals seeking contracts to work at education institutions in Mexico will have guaranteed access with streamlined visa arrangements and longer periods of stay, and Australian education service providers will be able to bid for government procurement contracts in Mexico.²²

4.16 With Mexico's forecast growth, a young population (average age 27), expanding middle class and a substantial student population (35 million – the second-largest student population in Latin America), the country presents significant opportunities for international education providers.²³

Joint recognition of degree programs

4.17 A number of submissions expressed support for increasing the number of jointly accredited undergraduate and postgraduate degree programs between Australia and Mexico.²⁴ Associate Professor Cesar Ortega-Sanchez recommended evaluating Mexican university programs for mutual recognition potential. He argued:

The best Mexican universities are ranked as high as the best Australian universities or higher. I have been a university academic in both countries and know that the best Mexican students are as good as the best Australian students. I am not suggesting recognising every single degree from every single university, but it would make very good sense to create a commission to evaluate Mexican universities and then recommend a set of rules to guide the mutual recognition of qualifications. This program could be linked with immigration plans to attract Mexican professionals who could make great contributions to the Australian economy and society. Currently it is virtually impossible to immigrate to Australia and find a job based on Mexican qualifications.²⁵

Committee view

4.18 The committee believes there is considerable scope to expand Australia's future education and research engagement with Mexico. Mexico's expected growth prospects, large student population and growing middle class offers Australian education providers a wealth of potential opportunities. The committee supports an increase in joint initiatives between Australia and Mexico and encourages Australian universities to review their programs for potential joint recognition with their Mexican counterparts.

22 Department of Education and Training, *Submission 21*, p. 4.

23 Department of Foreign Affairs and Trade, *Submission 30*, pp 9–10.

24 Associate Professor Cesar Ortega-Sanchez, *Submission 2*, p. 1; Mrs Cynthia Gavito Paredes and Raymundo Granados Salgado, *Submission 13*, p. 1 and ANZMEX Business Council, *Submission 6*, p. 26.

25 Associate Professor Cesar Ortega-Sanchez, *Submission 2*, p. 1

Recommendation 5

4.19 The committee recommends that the Australian government work together with Australian universities to review the accreditation of existing Mexican qualifications and achieve mutual recognition of qualifications by 2020.

Language barriers

4.20 An impediment to Australia's expansion in the Mexican education sector is the language barrier. There is both a lack of Spanish skills from the Australian training workforce and English skills from Mexican students.²⁶ English is widely accepted as the primary international language and it is increasingly defined as a basic skill required of every student in every education system.²⁷

4.21 Although English skills are considered essential in an increasingly competitive labour market, English language competency remains low in Mexico. It ranked 39 out of 63 countries globally and sixth out of fourteen countries in Latin America according to the Education First survey in 2014.²⁸ The Mexican Government is aiming to teach English to all students from five to 15 years of age which will require a further 80 000 teachers.²⁹

4.22 Mexico's expanding middle class is also seeking to improve workforce skills and employment opportunities through English language competency, which could be converted into commercial opportunities for Australia. As the ANZMEX Chamber of Commerce stated:

Australia could do more by offering English scholarships to the IST Mexican community and offering Spanish Language training opportunities to the IST teaching and research workforce in Australia. There are also opportunities to better utilise the current Spanish-speaking workforce in Australia (3,600 Mexicans and more than 10,000 Latino Americans plus people born in Australia and/or other countries with Spanish Language skills).³⁰

4.23 The DET noted its plans for future English language training in Latin America:

In light of discussions that the department has had with Mexico and other Latin American countries about English language teacher training and English language teaching, the department is planning to hold a roundtable in early 2016 to develop a plan for working together with Mexico and the other interested Latin American countries.³¹

26 Australian Trade Commission, *Submission 39*, pp 14–15.

27 Education First, *Executive Summary*, <http://www.ef-australia.com.au/epi/about-epi/executive-summary/>, (accessed 13 November 2015).

28 Australian Trade Commission, *Submission 39*, pp 14–15.

29 Department of Education and Training, *Submission 21*, p. 3.

30 ANZMEX Chamber of Commerce, *Submission 8*, p. 7.

31 Department of Education and Training, *Submission 21*, p. 5.

Potential for extending scholarship programs to Mexico

4.24 Australia supports Mexican students studying in Australia through scholarships, fellowships and mobility grants which are administered by DET. Education grants and scholarships help improve business connections and raise awareness of each country's market potential.³²

4.25 Between 2007 and 2015, 41 Mexicans accepted an Endeavour Scholarship or a Fellowship to undertake study, research or professional development in Australia.³³ Since 2008, approximately 350 Australian higher education students received an Endeavour Mobility Grant to participate in a project in Mexico and 13 students from Mexico received a grant to study in Australia as part of a semester exchange program.³⁴

4.26 The University of Sydney noted that one of the benefits of transnational scholarship programs is an increase in the number of graduates who enter the workforce in their home countries and provide future government, business and industry links to Australia.³⁵

4.27 Existing agreements between the SEP and Australian authorities, such as the *Educational Cooperation Agreement* signed with Macquarie University in Sydney and the *Cross Institutional Education Cooperation Agreement* signed with Victoria University, enable scholarship programs to be established between Mexico and Australia and increase mobility of postgraduate students.³⁶ However, Australia could compete more robustly for international student flows.

4.28 Competitor markets are more active in creating Mexico-specific scholarship programs to support international student flows. The ANZMEX Business Council noted in their submission:

The Netherlands, for instance, has a 300-strong scholarship programme for Mexicans to study in its country. The UK runs a wide range of comprehensive scholarship programs for Mexicans, including the *Chevening Programme* which in 2015 awarded 101 postgraduate scholarships. Meanwhile, Australia has abandoned the AusAid scholarship program across the region.³⁷

4.29 A bilateral scholarship program to increase awareness and build people-to-people linkages could help grow Australia's partnership with Mexico. The University of Sydney reflected that despite Mexico having excellent research institutions and

32 Council on Australia Latin America Relations, *Submission 24*, p. 6.

33 Department of Education and Training, *Submission 21*, p. 3.

34 Department of Education and Training, *Submission 21*, p. 3.

35 University of Sydney, *Submission 23*, p. 4.

36 Secretariat for Public Education, *Submission 5*, p. 1.

37 ANZMEX Business Council, *Submission 6*, p. 22.

shared research interests with Australia, there is no specific financial support available to develop new partnerships at this moment.³⁸

4.30 Australia could become more competitive in its scholarship partnership with Mexico by implementing specific programs for the region. Mr Ramirez explained:

Following the recommendation for reform, the Mexican government has a very, very strong and interesting scholarship program. They are trying to bring up the level of professionalism for that industry. A good example in Mexico is what they did with the French and German governments. Basically the French and German governments brought in a language program for Mexican professionals who would be going to France and Germany. There are about 100 scholarships available. As a result of that, the Mexican government has full scholarships for students to do postgraduate degrees in any university that is recognised in Germany or France. A similar program could be interesting for Australia. It would bring more students here but also it would show that there is this idea of connecting with Mexico.³⁹

4.31 The ANZMEX Business Council agreed:

[Australia]'s share of the market is, at least from observation, in decline. This is not to undermine the tireless efforts of individual universities, education agents, Austrade and the Australian Embassy, but simply a reflection of the increased resources applied by other markets such as the UK (again, it rates Mexico as a top 10 priority market for international education), Canada, France, Germany, the Netherlands and the US. While it is obvious that Australia has a compelling offer, it simply isn't competing from a marketing perspective.⁴⁰

4.32 Various opportunities also exist for Australian providers in VET and English language training. Notably, Mexico's National Council of Science and Technology (CONACYT) has expanded its energy scholarships program to address a critical skill shortages in the energy sector, presenting opportunities for Australian education institutions with expertise in energy, mining and renewables.⁴¹ The Council on Australia Latin America Relations (COALAR) explained:

Mexico's increased training needs to improve productivity and skills are expected to provide new opportunities for Australia's vocational and training education (VET) sector. A technical skills gap exists in Mexico, particularly in the oil and gas sectors, presenting significant opportunities for Australian VET providers. Australia's industry led, competency based approach to VET is highly applicable to these kinds of challenges and there

38 University of Sydney, *Submission 23*, p. 4.

39 Mr Keri Ramirez, Board Member, ANZMEX Business Council, *Committee Hansard*, 29 October 2015, p. 22.

40 ANZMEX Business Council, *Submission 6*, p. 23.

41 Department of Foreign Affairs and Trade, *Submission 30*, p. 9.

is a strong appetite from Mexican institutions to develop relationships with interested providers.⁴²

4.33 The ANZMEX Business Council also highlighted the potential for Australia in Mexico's oil and gas sector, noting that Australia could play a role in providing trade and technical colleges with specialised qualifications in collaboration with Mexican institutions.⁴³

Committee view

4.34 The committee understands there are significant commercial opportunities for Australia in Mexico's VET sector. The committee encourages Australia to draw on its extensive oil, gas and energy experience and play a larger role in providing Mexico's sectors with specialised VET qualifications. The committee supports government-funded initiatives to promote and establish the Australian VET sector services in Mexico during this opportune time.

Recommendation 6

4.35 The committee recommends that the Australian government allocate additional funding for initiatives to promote Australian VET services in Mexico.

Improve connections with CONACYT

4.36 The National Council for Science and Technology (CONACYT) is a Mexican institution which provides international scholarships and research grants for Mexican academics and students. CONACYT has developed bilateral scholarship arrangements with a number of countries including the USA, Canada and Europe.⁴⁴ Submitters argued that greater Australian engagement with CONACYT could result in a higher number of scholarship students being sent to Australia. Professor Carlin of the University of Sydney highlighted the potential opportunity:

...Mexico, as you know, has the Mexican National Commission for Science and Technology—CONACYT—which provides generous scholarship support. Our understanding is that they have got some 6,300 or so funded students throughout the world at the moment—half of those are PhD scholarships and the rest are Masters. I draw that to your attention because Australia's share of that is about 2½ per cent. We have about 150 of those. The US has about 1,500; the UK is not dissimilar. The Netherlands has 260 and Canada has 311. We have a huge opportunity there, and that is something that government can facilitate through the negotiation of an arrangement with CONACYT. That will help us enormously.⁴⁵

42 Council on Australia Latin America Relations, *Submission 24*, p. 6.

43 ANZMEX Business Council, *Submission 6*, p. 27.

44 University of Sydney, *Submission 23*, p. 4.

45 Professor Tyrone Carlin, Deputy Vice-Chancellor, University of Sydney, *Committee Hansard*, 29 October 2015, p. 33.

4.37 During its public hearing, the committee heard that although the University of Sydney has approximately 10 000 international students fewer than 50 were from Mexico.⁴⁶ The University's submission noted:

Australia is currently not benefiting from the program as much as it could. Very few Mexican students use CONACYT scholarships to travel to Australia and organisational relationships are largely ad hoc...

Australian government officials could develop stronger linkages with key decision makers and engage with their counterparts in Mexico to send a greater number of its CONACYT scholarship students to Australia. An increased number of returning graduates from scholarship programs would expand Australia's networks in Mexico and encourage partnerships.⁴⁷

4.38 According to Universities Australia's submission, the Australian government has been engaging with CONACYT to enable Mexican scholarship recipients to study at Australian universities. While CONACYT has signed agreements with a number of individual universities, Universities Australia is in consultations facilitated by government on an overarching MOU to enable future Mexican scholarship recipients to study at any Australian university of their choice.⁴⁸

Scope to extend the New Colombo Plan to include Mexico

4.39 The New Colombo Plan is an initiative of the Australian government which aims to lift knowledge of the Indo Pacific in Australia by supporting Australian undergraduates to study and undertake internships in the region. The New Colombo Plan involves a scholarships program for study of up to one year, internships or mentorships and a flexible mobility grants program.⁴⁹

4.40 The scholarships program allows students to undertake study in a host country for which they receive full credit at their Australian university. Mobility grants are awarded to Australian universities to support students to study and undertake work-based experiences in a host country. They are aimed at supporting long term study, internships and language acquisition.⁵⁰

46 Professor Tyrone Carlin, Deputy Vice-Chancellor, University of Sydney, *Committee Hansard*, 29 October 2015, p. 33.

47 University of Sydney, *Submission 23*, p. 4.

48 Universities Australia, *Submission 33*, p. 4.

49 Department of Foreign Affairs and Trade, *New Colombo Plan*, <http://dfat.gov.au/people-to-people/new-colombo-plan/pages/new-colombo-plan.aspx>, (accessed 10 November 2015).

50 Department of Foreign Affairs and Trade, *New Colombo Plan*, <http://dfat.gov.au/people-to-people/new-colombo-plan/mobility-program/Pages/mobility-program.aspx>, (accessed 10 November 2015).

4.41 Submitters proposed that the Australian government consider extending the New Colombo Plan to include Latin America and Mexico in particular.⁵¹ During the public hearing, Professor Carlin also noted that:

... [New Colombo scholarships] are concentrated in Asia, as you know, and they have been enormously successful. And in terms of getting more of our students out as ambassadors, and forging those relationships, we believe that the extension of a program like that into the Latin American zone could be very beneficial.⁵²

Committee View

4.42 The committee agrees with submitters that Australia must compete more vigorously for international student flows from Latin America and in particular Mexico. As the Mexican government awards its scholarships to countries with a similar level of interest, Australia and its higher education providers would benefit from extending the New Colombo Plan to include Mexico or Latin America as this would likely see an increase in returned scholarships. The committee believes extending the New Colombo Plan to include Mexico as a host country would encourage greater student flows between Australia and Mexico and be a worthwhile expansion of the initiative.

Recommendation 7

4.43 The committee recommends that the Department of Foreign Affairs and Trade consider whether there is scope to extend the New Colombo Plan to include Mexico as a destination country.

Educational infrastructure challenges

Insufficient panel physicians

4.44 Panel physicians are approved by the Department of Immigration and Border Protection (DIBP) to perform medical examinations on all international student applicants.⁵³ There are only three panel physician service locations for all of Mexico, one each in the cities of Mexico City, Guadalajara and Ciudad Juarez, with between one and six physicians in each location.⁵⁴ Submitters noted that this creates a bottleneck for processing international student visas, which in turn restricts student mobility and decreases Australia's appeal as an education destination.

51 ANZMEX Business Council, *Submission 6*, p. 26; University of Sydney, *Submission 23*, p. 4; Mr Victor Pertou, *Submission 25*, p. 4.

52 Professor Tyrone Carlin, University of Sydney, *Committee Hansard*, 29 October 2015, p. 33.

53 Department of Immigration and Border Protection, *Panel Physicians*, <https://www.border.gov.au/Busi/Pane/Pane>, (accessed 10 November 2015).

54 Department of Immigration and Border Protection, *Panel Physicians by Country*, <https://www.border.gov.au/Lega/Lega/Help/Location/mexico>, (accessed 25 November 2015).

4.45 The ANZMEX Business Council explained in their submission:

This lack of soft infrastructure puts Australia at a distinct disadvantage to its competitors, sometimes adding as much as \$1000 to the cost of some students studying in Australia due to their need to pay for flights, accommodation and incidental costs so that they can attend an appointment at the location of the panel doctor. During peak application periods, prospective students can wait as long as three weeks to have an appointment confirmed, and another month before actually being able to visit the doctor. When you consider that the student visa cannot be processed until the doctor's report is submitted, the entire process can stretch to three months.⁵⁵

Committee view

4.46 It is the committee's view that placing additional physicians in the three current service locations (Mexico City, Guadalajara and Ciudad Juarez) as well as providing additional service locations in key feeder cities, such as Monterrey, would alleviate delays in student visa applications and contribute to increasing student flows between Australia and Mexico.

Recommendation 8

4.47 The committee recommends that the Department of Immigration and Border Protection appoint additional panel physicians in key Mexican cities to reduce delays to international student medical examinations.

Prolonged student visa application times

4.48 A further challenge in developing Australia as an education destination for Mexican students is that the current visa process for prospective students, which was described by submitters as cumbersome and protracted. Australia has a number of visas available to international students, dependent on the expected type of study, including:

- Independent ELICOS (Subclass 570);
- Schools (Subclass 571);
- Vocational Education and Training (Subclass 572);
- Higher Education (Subclass 573);
- Postgraduate Research (Subclass 574);
- Non-award (Subclass 575); and
- Foreign Affairs or Defence (Subclass 576).⁵⁶

4.49 DIBP considers each student visa application on its individual merits. Each applicant's visa requirements are determined using assessment levels to ensure

55 ANZMEX Business Council, *Submission 6*, p. 23.

56 Study in Australia, *Visa Information*, <http://www.studyinaustralia.gov.au/global/apply-to-study/visas>, (accessed 11 November 2015).

fairness and consistency. There are three assessment levels in the student visa program which align student visa requirements to the immigration risk posed by applicants from a particular country studying in a particular education sector.⁵⁷

4.50 Assessment Level 1 represents the lowest immigration risk and Assessment Level 3 the highest. The higher the assessment level, the greater the evidence an applicant is required to demonstrate to support their claims for the grant of a student visa.⁵⁸ As at November 2015, all visa subclasses for Mexican passport holders were listed as Assessment Level 1.⁵⁹

4.51 For eligible students, the DIBP also offers a streamlined visa processing arrangement where visa applicants are subject to lower evidentiary requirements, similar to Assessment Level 1, irrespective of the passport they hold. Students must meet certain requirements to be eligible for streamlined processing and hold a Confirmation of Enrolment with a participating education provider.⁶⁰

4.52 Submitters suggested a number of improvements could be made to Australia's student visa process. The ANZMEX Business Council explained:

Currently Mexicans are not eligible to apply for eVisas or the EST visa – we would argue that if Australia is serious about welcoming Mexican business people, tourists and students we should use avenues which are already in place for other strategic partners of Australia. In addition we would urge that the Department of Immigration be sufficiently resourced to reduce the time taken to process visas for Mexicans to visit Australia from the current 4–6 week time frame to a more realistic 2-week time frame. We believe that having inspectors who are fluent in Spanish, and are specifically responsible for liaising with the Australian Embassy immigration team in Mexico would be of great assistance in addressing problems.⁶¹

4.53 Submitters noted that the student visa process can also be compounded by the delay in panel physician appointments as previously discussed. The ANZMEX Business Council recommended that DIBP be further resourced so that student visa applicants are assigned a Spanish speaking inspector as a primary point of contact.⁶²

57 Department of Immigration and Border Protection, *Student Visa Assessment Levels*, <http://www.border.gov.au/Trav/Stud/Stud>, (accessed 11 November 2015).

58 Department of Immigration and Border Protection, *Student Visa Assessment Levels*, <http://www.border.gov.au/Trav/Stud/Stud>, (accessed 11 November 2015).

59 Department of Immigration and Border Protection, *Student Visa Assessment Levels*, <http://www.border.gov.au/Trav/Stud/Stud>, (accessed 11 November 2015).

60 Department of Immigration and Border Protection, *Student Visa Assessment Levels*, <http://www.border.gov.au/Trav/Stud/Stre>, (accessed 11 November 2015).

61 ANZMEX Business Council, *Submission 6*, p. 24.

62 ANZMEX Business Council, *Submission 6*, p. 26.

Committee view

4.54 The committee is aware of the need for improvements to educational infrastructure and supports the improvement of travel and visa measures for Mexican students to increase access to Australia as an education destination. Reducing student visa application times would not only increase Australia's appeal as an education destination but also improve its competitiveness in the international student market.

4.55 Allocating additional resources to the Department of Immigration and Border Protection would go some way to alleviating the bottlenecks described in submissions.

Recommendation 9

4.56 The committee recommends that the Department of Immigration and Border Protection review its current student visa provisions to reduce visa application processing times for Mexican students.

Redundant Foundation Year requirement

4.57 Foundation Studies are designed as a pre-university year for international students who wish to obtain Australian qualifications. The Foundation Year is equivalent to Australia's Year 12 but with a special focus on English ability and preparation for tertiary studies.⁶³

4.58 The ANZMEX Business Council told the committee that Australian universities currently require all high school graduates from Mexico, regardless of the quality of the school, to complete a Foundation Year before beginning undergraduate studies in Australia.⁶⁴ The ANZMEX Business Council noted that there may be scope to improve Australia's competitiveness in the international student sector by abolishing the Foundation Year requirement for graduates of key schools in Mexico. The ANZMEX Business Council reasoned:

Top candidates from top schools simply are not interested to spend this time and money when they are already at the same or higher level required and thus go elsewhere. This disincentive, combined with the paucity of scholarship or funding options for undergraduates means that Australia is simply not competing in this segment of the market. We would recommend that the Education Department examine the feasibility of ranking key Mexican secondary schools in order to facilitate direct entry for qualified students into undergraduate programs.⁶⁵

63 Foundation Studies, *Foundation Studies Australia*, <http://www.foundationstudies.com.au/>, (accessed 11 November 2015).

64 ANZMEX Business Council, *Submission 6*, p. 24.

65 ANZMEX Business Council, *Submission 6*, p. 24.

Committee view

4.59 It is vital that Australia is competitive in the international student sector. The committee encourages the Australian government to monitor Australian university entrance requirements to ensure that they do not unduly discourage Mexican students from studying in Australia.

Geographical dislocation of Austrade's educational management

4.60 Australia currently manages its educational activities for Mexico from its posts in either Brazil or Chile. There are no officers based in Mexico who are responsible for developing opportunities solely in the Mexican education sector.⁶⁶ The ANZMEX Business Council argued that appointing an Education Counsellor or Trade Commissioner to the Mexico City post would accelerate the development of Australian education opportunities in Mexico as well as provide a less convoluted path for Australian universities to access recruitment feedback from the area. They stated:

...recruitment feedback mechanisms to [Australian] universities are unnecessarily convoluted due to the geographical dislocation of Austrade's management structures in education. The scale of the opportunity in Mexico provides strong argument for both an Education Counsellor and an Australian-based Trade Commissioner for Education to be appointed to the Mexico City post. While the Trade Commissioner role could focus on supporting Australia to gain a stronger foothold in the recruitment of international students it could also play a fundamental role in supporting Australian institutions in developing local partnerships in order to provide education services locally.⁶⁷

Scope for increased collaboration in research

4.61 The Australian Academy of Science advised the committee that the Mexican government 'wants to improve its standing in science and is improving funding for this sector'. The Australian Academy of Science outlined both Mexico and Australia's research strengths:

Mexico has expertise in a number of areas including agricultural sciences, aquaculture and fisheries...Mexico also has a modern and dynamic health and biotechnology industry. Mexico is the second largest pharmaceutical market in Latin America and a major producer of high-tech medicine.

Australia on the other hand has research strengths in areas such as health and medical research, mining and water management, radio astronomy, the environment, and others. It has had some substantial economic successes underpinned by science.⁶⁸

4.62 Submitters noted that Australia and Mexico have research centres in areas of mutual interest and that it would be advantageous to both countries if the number of

66 ANZMEX Business Council, *Submission 6*, p. 24.

67 ANZMEX Business Council, *Submission 6*, pp 24–25.

68 Australian Academy of Science, *Submission 15*, p. 2.

collaborative research activities were increased and existing research scholarship programs extended.⁶⁹ The University of Sydney explained that:

Expertise at the PBI and world leading research being undertaken in Australia is of great importance in global food security. This area of excellence could be further supported and highlighted by increasing the opportunities for visiting researchers through Australian government scholarships for the region. This would enhance linkages and help to develop collaborations...The University's Charles Perkins Centre for Obesity, Diabetes and Cardiovascular Disease is a unique interdisciplinary centre dedicated to easing the burden of these chronic diseases and related conditions through innovative research and teaching. Mexico shares these challenges and there is scope to enhance linkages in the health area.⁷⁰

4.63 The Australian Academy of Science noted that by strengthening science and technology links with countries such as Mexico, Australia can contribute and develop solutions to global challenges, such as energy security, the preservation of biodiversity, and sufficiency of food.⁷¹

4.64 Australia has a number of existing research collaborations with Mexico, such as the University of Sydney's joint research with the Mexican Institute for Water Technology and with the Mexican International Centre for the Improvement of Wheat and Maize through its Plant Breeding Institute.⁷² The Australian Academy of Science and the Mexican Academy of Science signed a MoU in 2015 to foster mutually beneficial scientific exchanges, workshops and other joint activities.⁷³ The Department of Education and Training outlined Mexico and Australia's collaborative partnership:

Measured by joint publications, Mexico has been Australia's 46th ranked international collaboration partner with 1000 joint research publications between 2009 and 2014. In 2014, there were 234 joint publications with the most common fields of research being astronomy and astrophysics; physics, particles and field; and plant sciences and ecology. Australia only accounts for approximately 4 per cent of Mexico's international cooperation, as measured by the number of joint publications.⁷⁴

4.65 Submitters noted that there is little incentive for Australian academics to publish their work in innovation, science and technology academic journals written in languages other than English. The ANZMEX Chamber of Commerce advised the committee that publishing and recognising Australian academic work in Latin

69 Associate Professor Cesar Ortega-Sanchez, *Submission 2*, p. 1; Mrs Cynthia Gavito Paredes and Raymundo Granados Salgado, *Submission 13*, p. 1.

70 University of Sydney, *Submission 23*, p. 4.

71 Australian Academy of Science, *Submission 15*, p. 2.

72 University of Sydney, *Submission 23*, p. 4.

73 Australian Academy of Science, *Submission 15*, p. 2.

74 Department of Education and Training, *Submission 21*, pp 3–4.

American journals and vice versa would encourage research collaboration and further increase the linkages between Australia and Mexico:

It would be desirable to explore with Universities Australia the possibility of acknowledging and counting published journal papers, written in Spanish for Mexican and other Latin American academic journals authored by Australian researchers in Australian universities' [in] metrics for academic performance and considerations around academic promotion. We could accelerate the rhythm of bilateral IST collaboration if/when researchers perceive that their collaborative work with Mexico would be acknowledged and recognized Australian wide.⁷⁵

Committee view

4.66 The importance of scientific research and innovation cannot be overemphasised. The committee agrees that it would be advantageous to both Australia and Mexico if the number of collaborative research activities were increased and existing research scholarship programs extended. The committee commends the Australian Academy of Science and the Mexican Academy of Science for the MoU to foster mutually beneficial scientific exchanges, workshops and other joint activities signed this year.

Recommendation 10

4.67 The committee recommends that the Australian government actively encourage research collaboration between Australia and Mexico and that more resources be made available to Australian universities and research institutions to facilitate this collaboration.

75 ANZMEX Chamber of Commerce, *Submission 8*, p. 8.

Chapter 5

Opportunities for trade and investment

5.1 In 2014, Mexico was Australia's largest merchandise trading partner in Latin America, with two-way trade worth approximately \$2.5 billion. Australia's merchandise exports, worth approximately \$516 million, were dominated by coal but also included meat (excluding beef); plastic plates, sheets and films; and ores and concentrates.¹

5.2 Australian investment in Mexico is significant and growing, with a cumulative value of approximately \$5.3 billion. The stock of Australian investment has increased 66 per cent between 2009 and 2014. Other sectors attracting Australian investment include: mining, consolidated services (linked to finance and leasing arrangements), and manufacturing.² The Export Council of Australia described Mexico as an attractive and stable environment for foreign investment:

Mexico shows discipline in its fiscal and monetary policy, so as to promote an attractive and stable environment for foreign investment. Most Mexican states also offer certain types of investment incentives. The country received a record USD 35.2 billion in FDI [foreign direct investment] in 2013, signalling investors' confidence in the country and its future prospects.³

5.3 Australia's relationship with Mexico has considerable potential for economic, social and strategic expansion, in particular:

- education and training provision, including student mobility; transnational education; vocational education and training (VET); and English language training (discussed in Chapter 4 of this report);
- the energy sector, especially oil, gas, and renewables;
- mining and resources, especially mine exploration and development as well as mining technology and services;
- advanced manufacturing;
- water management;
- infrastructure;
- food;
- agribusiness; and
- tourism (discussed in Chapter 3 of this report).

1 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

2 Department of Foreign Affairs and Trade, *Submission 30*, p. 7.

3 Export Council of Australia, *Submission 28*, p. 5.

5.4 Trade in services, particularly trade in Australian education and training services (discussed in Chapter 4 of this report), is also growing. The Trans-Pacific Partnership (TPP) has opened up market access for Australian services.

Energy sector

5.5 Mexico is the world's tenth largest producer of petroleum and other liquids products, producing almost 3 million barrels per day in 2014.⁴ Recent reforms of Mexico's energy sector ended the state-owned Pemex's decades of monopoly over oil and gas and liberalised the electricity sector. The reforms enable foreign companies to participate in the exploration, production, processing, and refinement of Mexico's oil and gas fields. These reforms have been 'locked in' by the TPP, which also grants Australian suppliers of mining-related consulting, research and development, engineering, environmental, and technical testing and analysis services guaranteed market access.⁵

5.6 WorleyParsons described the Mexican energy market as 'arguably the most prospective market for oil & gas in the world today'.⁶ The Export Council of Australia similarly asserted that 'the reform of the energy industry has created unprecedented opportunities, particularly in the oil and gas sectors'.⁷ The Department of Foreign Affairs and Trade (DFAT) advised the committee that:

The energy sector perhaps provides the platform for a fundamental shift in the nature of the commercial relationship – significant Australian companies are now weighing up options to make multi-billion dollar investments in the sector, with the potential flow-on effects for other related sectors such as infrastructure and mining.⁸

5.7 The Australia-Latin America Business Council (ALABC) noted that as the Mexican economy and population continue to grow, the demand for energy will generate opportunities for Australian coal exports and energy companies:

As Mexico's population grows and its economy expands, demand for energy will expand. Australia stands to benefit through increased exports of coal, potential exports of LNG [liquefied natural gas], investment in the development of Mexico's oil and gas fields, and the supply of services and other inputs to energy companies operating in Mexico. There is also significant potential for the export of renewable energy technology.⁹

4 U.S. Energy Information Administration, *International Energy Statistics: Total Petroleum and Other Liquids production, 2014*, http://www.eia.gov/beta/international/rankings/#?product=53-1&cy=2014&tl_type=a, (accessed 24 November 2015).

5 Australian Trade Commission, *Submission 39*, p. 8.

6 WorleyParsons, *Submission 40*, p. 2.

7 Export Council of Australia, *Submission 28*, p. 13.

8 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

9 Australia-Latin America Business Council, *Submission 17*, p. 6.

5.8 The Export Council of Australia also commented on this, explaining that:

On the electricity side, Australian firms with electricity generation knowledge and expertise could see opportunity in power generation, transmission and distribution through contracts with the CFE [Mexican Federal Electricity Commission]...increasing use of combined-cycle equipment, and modernising outdated electricity plants by installing clean and efficient technologies, also presents opportunities for Australian investors...Domestic capacity is likely to fall short of demand, increasing opportunity for foreign operators and investors to help bridge this gap. Electricity demand is projected to grow 75 per cent by 2026, though CFE only plans to increase transmission capacity by around 17 per cent during this period.¹⁰

Australian engagement with the Mexican market

5.9 BHP Billiton commended the Mexican government, noting that its 'experience with the Mexican authorities thus far has been very positive'. BHP Billiton informed the committee that it is directly engaged with the changes currently underway in the Mexican energy sector and that it has been an 'active participant in Mexican energy reform via oil and gas industry associations':

In August 2015, BHP Billiton was the apparent highest bidder on 26 blocks in the Western Gulf of Mexico Lease Sale with a 100 per cent working interest. Of these leases, nine have been awarded and 17 remain subject to regulatory approval.

In order to support our engagement in Mexico's energy reforms, BHP Billiton recently deployed an in-country representative to Mexico City, and in September 2014 BHP Billiton and Petroleos Mexicanos (Pemex) signed a memorandum of understanding and cooperation (MOU) to exchange technical knowledge, information, experiences and practices in activities related to the oil and gas industry.¹¹

5.10 Woodside Energy praised the Australian Embassy and Austrade for providing 'on-the-ground support including market information, regulatory updates and business matching'. Woodside also noted that 'officials from the Department of Foreign Affairs and Trade and Austrade have also been active in raising awareness of the opportunities in Mexico to businesses in Australia'.¹² These sentiments were shared by WorleyParsons which stated that:

The support provided by the Austrade team, in particular its Trade Commissioner, Mr Chris Rodwell, has been exemplary. It has been absolutely tailored to our often demanding needs, understanding of our commercial challenges, risk aware, respectful of confidentiality and incredibly responsive. Our company is grateful for this ongoing support and appreciates the unique role the Australian government can play in

10 Export Council of Australia, *Submission 28*, p. 14.

11 BHP Billiton, *Submission 38*, p. 2.

12 Woodside Energy, *Submission 26*, p. 1.

supporting Australian companies such as ourselves with the badge of government.¹³

5.11 BHP Billiton similarly commended the Australian Embassy for the support and assistance it provided:

In Mexico, the Australian Embassy has played a key role in assisting companies such as ours in establishing a presence and learning how to do business in Mexico. The Embassy has also been supportive in highlighting industry issues and concerns with key Mexican officials.¹⁴

Mining and mining equipment technology and services

5.12 Mexico is rich in resources and is considered a highly competitive mining investment destination. It is the world's leading silver producer, second in the world for bismuth and fluorite; third for celestite and wollastonite; fifth for cadmium, lead, diatomite and molybdenum; and ranks highly in a range of other mineral resources.¹⁵ The TPP immediately eliminates tariffs (some currently up to 15 per cent) on Australian exports of mining equipment to Mexico. Furthermore, Australian suppliers of mining-related consulting, research and development, engineering, environmental, and technical testing will receive guaranteed access through new TPP commitments from Mexico.¹⁶

5.13 The ALABC commented on the relative underrepresentation of Australian mining and METS companies in Mexico, remarking that 'why this is so is unclear, given that Australian mining companies and mining equipment technology and services (METS) companies are well entrenched in other countries in Latin America, including Brazil, Chile, Colombia and Peru'. It advised the committee that there are large areas of Mexico which remain unexplored or under-explored, providing ample scope for investment in exploration, acquisitions, and development as well as extensive opportunities for Australian METS companies:

The size of Mexico's mining sector and the potential that exists for it to grow also means that there are extensive opportunities for Australia's METS companies to sell their services and products into the market. The success that these companies have had in other markets in the region suggests that they would have strong prospects of succeeding in Mexico. There is no reason why Mexico should not be host to as many Australian companies as Chile.¹⁷

5.14 DFAT agreed:

Mexico has large tracts of highly prospective but under-explored land, which offer good opportunities for Australian exploration and Australian

13 WorleyParsons, *Submission 40*, p. 2.

14 BHP Billiton, *Submission 38*, p. 3.

15 Australian Trade Commission, *Submission 39*, p. 12.

16 Australian Trade Commission, *Submission 39*, pp 7–8.

17 Australia-Latin America Business Council, *Submission 17*, pp 5–6.

mining equipment, technology and services (METS) companies. There have been a number of significant discoveries in recent years including gold, silver and uranium. METS companies are under-represented in the Mexican market, and Austrade works with individual companies and maintains a presence at importance sectoral events such as ExpoMin Mexico in Acapulco, to promote Australian expertise to potential Mexican customers.¹⁸

5.15 The Export Council of Australia highlighted five key areas of opportunity for Australian METS companies:

- productivity: facilitating low-cost production through operational efficiencies, productivity optimisation and overall cost reduction;
- innovation: making the industry more cost-effective and resilient to downturns;
- education: training engineers with specialised knowledge and experience in extraction-related areas;
- environment: making the industry more compliant with international practices around mine planning and operation, waste treatment and management, and energy efficiency, as general awareness of these issues increases;
- community: helping to engage with the community and ensure that mining operations help improve the provisions of jobs, infrastructure, community services, and fair play in the use of land—while at the same time ensuring that this does not impact the industry's competitiveness.¹⁹

Australian engagement with the Mexican market

5.16 The Export Council of Australia recommended that the Australian and Mexican governments consider jointly funding exchanges and secondments of key organisations in the resources sector to facilitate the sharing of knowledge and the improvement of systems and processes.²⁰

5.17 DIIS informed the committee that 80 per cent of firms in the Australian METS sector are Australian-owned and well-supported by Australian government and national industry bodies:

The Australian government and national industry bodies, such as Austmine, are well placed to facilitate collaboration between Mexican METS firms and Australian METS firms where the opportunity exists. This could include facilitating in-bound trade missions for international firms interested in investing in Australia, as well as introducing Teir-1 international companies to world-class Australian suppliers.²¹

18 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

19 Export Council of Australia, *Submission 28*, pp 15–16.

20 Export Council of Australia, *Submission 28*, p. 16.

21 Department of Industry, Innovation and Science, *Submission 36*, p. 4.

5.18 The Australian Trade Commission (Austrade) advised the committee that it is focusing on profiling opportunities linked to the major open pit copper miner, Grupo Mexico, in addition to other large domestic players, Grupo Bal and Minera Frisco. Austrade gave examples of its recent work in this sector:

- In April 2015, it managed a mining trade mission, which provided introductions to senior decision makers at Mexico's three largest mining houses – Grupo Mexico, Peñoles, and Minera Frisco. Participants visited significant open-cut copper mines in the State of Sonora and the Port of Guaymas, a bulk commodities port undergoing significant expansion and redevelopment; and
- In October 2015, it managed Australia's presence at Mexico's major mining conference ExpoMineria. The event is held every two years in Acapulco and was attended by approximately 15 Australian companies. Participation in the event has led two companies to investigate setting up a fully-owned office in Mexico. In one case this includes the development of a manufacturing facility to service a contract brokered with one of the major mining companies operating in Mexico.²²

5.19 Intermodal Solutions Group – Pit-to-Ship Solutions praised the efforts of Austrade, and highlighted the value of trade missions:

ISG Pit-to-Ship Solutions has very much relied on Austrade across the region and the globe to support us in developing business opportunities. Most recently, we participated in a trade mission, managed by Austrade, to the Mexican State of Sonora, where we visited a number of Group Mexico mines, as well as the bulk commodities port of Guaymas...our company is currently in the process of finalising some business opportunities that arose from this trade mission.²³

5.20 The Department of Industry, Innovation and Science (DIIS) highlighted opportunities for collaboration through the International Regulators Forum (IRF) and International Offshore Petroleum Environment Regulators Forum (IOPER):

Through the IRF and IOPER, NOPSEMA [Australian National Offshore Petroleum Safety and Environmental Management Authority], engages with the ASEA of Mexico [Mexican Agency for Security, Energy and Environment] to share Australia's experiences in regulating the offshore oil and gas industry through information sharing and to examine emerging trends which may have implications for Mexico...These forums provide an opportunity for regulators to openly discuss best practices and industry trends and to explore the applicability of risk reduction techniques used by other industry sectors to offshore energy development activities.²⁴

22 Australian Trade Commission, *Submission 39*, pp 12–13.

23 Intermodal Solutions Group—Pit-to-Ship Solutions, *Submission 7*, p. 1.

24 Department of Industry, Innovation and Science, *Submission 36*, p. 4.

Advanced manufacturing

5.21 Mexico is a world-leading manufacturer and manufacturing accounts for approximately 80 per cent of Mexican exports. The 2015 A.T. Kearney Foreign Direct Investment Confidence Index placed Mexico as third in the world for investment in light manufacturing (which includes goods such as electronics, furniture, and textiles) and tenth for heavy manufacturing of products such as cars and chemicals.²⁵ Australian Industry Group (Ai Group) discussed Mexico's manufacturing capabilities and its strategic importance as a regional hub for global value chains:

Mexico's advantages lay in its proximity to the United States and the benefits of the North American Free Trade Agreement...It is also a regional hub for Global Value Chains: 57% of the FDI has been in manufacturing and Mexico now supplied one third of the total value of US imports of auto parts. It is this integration with the US Auto Industry that has attracted the attention of many of Ai Group's members, particularly those best positioned to sell into the Tesla program. Other Advanced Manufacturing sectors are experiencing significant growth in Mexico, in particular Aerospace and Defence. There are almost 300 companies and support organisations in this sector in Mexico and they collectively generate exports of over 5.5 billion USD.²⁶

5.22 The Export Council of Australia noted that 'Mexico serves as an attractive base for Australian manufacturing firms seeking a lower cost platform to serve markets across the Americas':

Australian companies can establish their own manufacturing facilities in Mexico and then take advantage of tariff-free access to the US and Canadian markets through NAFTA, or look south to the markets of the Pacific Alliance, not to mention the opportunity to service the 120-million-strong domestic Mexican market.²⁷

Automotive industry

5.23 Mexico is the fourth largest exporter of light vehicles in the world, behind Germany, South Korea, and Japan. Since June 2014, an additional \$11 billion in Original Equipment Manufacturer (OEM) investments have been announced from companies including Ford, General Motors, Mercedes, Kia, BMW, and Nissan. These investments are expected to increase total production to almost 6 million vehicles per annum by 2020.²⁸ The ALABC emphasised the opportunities for Australian automotive component suppliers to benefit from Mexico's well-established and growing automotive industry:

With the decline of motor vehicle production in Australia, Australian automotive component suppliers have an opportunity to benefit from

25 Embassy of Mexico, *Submission 9*, p. 5.

26 Australian Industry Group, *Submission 29*, p. 3.

27 Export Council of Australia, *Submission 28*, p. 11.

28 Australian Trade Commission, *Submission 39*, p. 9.

Mexico's well-established and growing automotive industry...With US\$9 billion in new investment, production has doubled in the past five years to an estimated 3.2 million vehicles in 2014.²⁹

5.24 The Trade Commissioner for Mexico, Counsellor Esaú Gaza de Vega, agreed, asserting that Australian companies can supply and complement the needs of the growing Mexican automotive industry:

...both Mexico and Australia are facing challenges in the automotive industry—unfortunately, in very different directions. Mexico is growing its capacity. We will be manufacturing five million vehicles by 2020 and that means we need parts to assemble these vehicles. Currently we do not have enough capacity to provide parts and assemble the final vehicles. This is where Australian companies can supply and complement the needs of the growing Mexican automotive industry...there are 10 strategic sectors where Australian companies have capacity, have technology and have know-how—such as punching and stamping, foundry, forging, machining, injection moulding, die-casting, other types of components, auto interiors and electronic assembly, as well as cables and wires. In Mexico, these opportunities represent \$61 billion. This is the amount for imports we are currently doing from many parts of the world where Australian companies can easily enter into the supply chain.³⁰

Australian engagement with the Mexican market

5.25 A number of Australian manufacturers currently operate sites in Mexico. For example, Amcor, an Australia-based multinational packaging firm operates five manufacturing sites across Mexico. Incitec Pivot, an Australian multinational fertiliser manufacturer, operates manufacturing sites in Guadalajara and Durango.³¹ In addition, Orica, Ansell, Boart Longyear, NOJA Power and Strategic Marine also manufacture in Mexico.³²

5.26 Austrade advised the committee that it is focusing on developing opportunities for Australian suppliers of OEMs and automotive aftermarket, working closely with key stakeholders such as the Victorian and South Australian state governments as well as the Federation of Automotive Products Manufacturers (FAPM), Ai Group, ProMéxico, and the Mexican Business Council for Foreign Trade, Investment and Technology (COMCE). In October 2015, Austrade co-hosted briefings on the Mexican automotive market in Melbourne and Adelaide 'to highlight significant value chain opportunities in Mexico in the sector and advanced manufacturing more broadly'. Austrade also advised the committee that it is currently investigating opportunities in the Mexican aerospace sector for Australian firms.³³

29 Australia-Latin America Business Council, *Submission 17*, p. 7.

30 Counsellor Esaú Gaza de Vega, Trade Commissioner, ProMéxico, *Committee Hansard*, 29 October 2015, p. 45.

31 Export Council of Australia, *Submission 28*, p. 11.

32 Australian Trade Commission, *Submission 39*, p. 9.

33 Australian Trade Commission, *Submission 39*, pp 9-10.

Water management

5.27 Mexico faces complex water management challenges including floods, droughts, issues with sanitation, and insufficient or outdated infrastructure. The Mexican government is expected to carry out a number of key water infrastructure investment projects in the coming years.³⁴ DFAT advised the committee that 'such projects will offer opportunities to foreign companies able to supply relevant technologies'. Furthermore, DFAT noted that 'in addition to government and utility companies, the agriculture and mining sectors in Mexico are potential customers for Australian water management technologies and services'.³⁵

Australian engagement with the Mexican market

5.28 DFAT advised the committee that the Australian government 'is supporting increased collaboration between Mexican water agencies and Australian water experts, creating institutional links and enhancing Mexican knowledge of Australian water expertise as relevant to Mexico's water challenges'.³⁶

5.29 In November 2014, Austrade and DFAT co-hosted a bilateral water forum with Conagua (Mexico's National Water Commission) to 'highlight Australian expertise in the water sector'. Participants included Deakin University, Sydney University, Queensland Reconstruction Authority, Murray-Darling Freshwater Alliance, and the Australian Bureau of Meteorology.³⁷ Mr Graeme Newton, the former Chief Executive Officer of the Queensland Reconstruction Authority, told the committee of his experiences as a participant. Mr Newton noted that Australia and Mexico face similar challenges in flood management and that there are many opportunities for both countries to work together to enhance flood resilience:

Key common issues confronting both Mexico and Australia include the ability to accurately identify population areas that are at risk of impacts by natural disasters, how to prevent damage and loss of life, assess damage rapidly, and rapidly recover after an event. These common areas of interest represent potential opportunities for further enhancement of the ties between Australia and Mexico, particularly through detailed knowledge sharing. This sharing could include policy, technology and process transfers that would enhance the resilience of both nations.³⁸

5.30 Austrade is also supporting the Bureau of Meteorology in managing a potential commercial opportunity with Conagua to provide capacity development in support of the World Bank-funded National Centre for Hurricanes & Severe Storms.³⁹

34 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

35 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

36 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

37 Australian Trade Commission, *Submission 39*, p. 12.

38 Mr Graeme Newton, *Submission 16*, p. 3.

39 Australian Trade Commission, *Submission 39*, p. 12.

Infrastructure

5.31 The Mexican government has implemented a \$500 billion infrastructure program from 2013 to 2018 to remedy significant infrastructure gaps.⁴⁰ Construction and engineering account for approximately 4 per cent of Mexico's GDP. Consequently, DFAT advised the committee, 'new investment in highways, utilities and reports make Mexico a very attractive potential market for the Australian building, construction and engineering industries'.⁴¹ When asked what the infrastructure priorities in Mexico are, Dr Edmundo Gamas, Director of the Mexican Institute of Infrastructure Development (IMEXDI), told that committee:

I think that the most critical bottlenecks at this point will be the transportation of the oil, gas and minerals and the management of storage facilities et cetera. There are definitely going to be requirements for many new roads. The ports definitely need investment and know-how to increase productivity, and communications are also very important. But I would say that at this point the major initiative that the government has for 2016—and partly this is because the low oil price has impacted PEMEX in its finances—is to allow PEMEX financial mechanisms to transfer the money that it has invested in fixed infrastructure, especially non-exploration and production infrastructure, but transport infrastructure, storage infrastructure and industrial infrastructure, and put those into financial vehicles that can be sold to international investors so that PEMEX can use those funds to invest in exploration and production, where it makes its highest returns. So I would say that that specific move to the market of all of these assets from PEMEX and from the federal electricity commission in the same manner—for transmission and other types of infrastructure related to distribution and even generation—is the big opportunity for 2016.⁴²

Australian engagement with the Mexican market

5.32 Austrade advised the committee that Australian firms such as Macquarie and Industry Funds Management (IFM), 'have stakes in areas as diverse as gas pipelines and cruise vessel terminals' with Land Lease currently building Mexico's largest skyscraper. Austrade noted that Macquarie Group, which holds the largest portfolio of any Australian company in Mexico, has a broad infrastructure portfolio:

Macquarie Group holds the largest portfolio of any Australian company in Mexico, employing approximately 40 staff in Mexico City. It specifically targets infrastructure asset classes that include roads and rail, airports and ports, water and wastewater, energy and utilities and social and communications infrastructure.⁴³

40 Australian Trade Commission, *Submission 39*, p. 11.

41 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

42 Dr Edmundo Gamas, Executive Director, Mexican Institute of Infrastructure Development, *Committee Hansard*, 29 October 2015, p. 16.

43 Australian Trade Commission, *Submission 39*, p. 11.

5.33 WorleyParsons discussed its interest in the Mexico National Infrastructure Program and its capacity to advise Australian investors:

We also see great potential in the scale of private investment required to fund the development of Mexico National Infrastructure Program, working alongside international and local investors to assist in the planning, structuring, financing and delivery of infrastructure projects across the pipeline, ports, transport, social, power and tourism sectors. We believe our specialist infrastructure advisory capability in Australia combined with our local knowledge of Mexico is well-positioned to assist Australian superannuation funds and other institutional investors with their entry into the market.⁴⁴

5.34 Austrade gave examples of its recent work in this sector. In July 2015, Austrade and DFAT supported Macquarie Group's engagement with the US\$1.1 billion Marena wind farm project in the state of Oaxaca. Construction of the project is scheduled to commence in the final quarter of 2015. In early 2016, Austrade (in partnership with ANZMEX) will coordinate the inaugural Australia-Mexico Infrastructure Finance Forum (AMIFF). The activity is expected to encourage the development of stronger ties between the Australian and Mexican infrastructure and investment communities. Austrade, with the support of DFAT, is also scoping a project to create an International Centre of Excellence for Indigenous Consultation with the Mexican government to improve the outcomes of consultations related to major project development in Mexico.⁴⁵

Australian food

5.35 The TPP eliminates tariffs and grants favourable market access on a number of key Australian agricultural goods over the next 15 years⁴⁶ including beef, sheep meat, pork, dairy, cereals and grains, sugar, wine, horticulture, and seafood.⁴⁷ Furthermore, Mexico's growing middle class has become a significant destination for luxury goods and provides new opportunities for Australian premium food and beverage.⁴⁸

Australian engagement with the Mexican market

5.36 The ANZMEX Business Council recommended increasing government support for the sector, telling the committee that 'we understand that an Agriculture Officer covers the region from Washington' but noting that 'a Department of Agriculture officer with a remit for Mexico and the whole of Latin America would

44 WorleyParsons, *Submission 40*, p. 2.

45 Australian Trade Commission, *Submission 39*, p. 11.

46 The time periods vary depending on the product. See Chapter 3 of this report for details.

47 Australian Trade Commission, *Submission 39*, p. 7.

48 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

help advance Australia's interests substantially'.⁴⁹ The ANZMEX Business Council also recommended that:

The Australian Government increase funding to the Department of Agriculture and the Department of Foreign Affairs & Trade for two additional Australian-based officers to be added to the Mexico City post in order to respond to opportunities in food & agribusiness relating to the implementation of the TPP and the other for executing key economic diplomacy projects.⁵⁰

5.37 Austrade advised the committee that in October 2014 it supported Meat & Livestock Australia and the Sheepmeat Council of Australia who together signed a MoU with their Mexican counterpart, the National Sheep Union (UNO). In January 2015, Austrade also supported Wine Australia in hosting an industry event which exhibited 12 wine producers.⁵¹

Agribusiness technology and equipment services

5.38 Mexico is a major agriculture producer with the agribusiness industry in Mexico growing steadily at a rate of 2 per cent per annum.⁵² However, Ai Group told the committee that the sector 'is hampered by poor land management'.⁵³

5.39 Mexico shares many of the same climatic issues as Australia, working in semi-arid, sub-tropical, and tropical climates and as such there are significant opportunities for Australian agribusiness and agritech firms. The Export Council of Australia noted that 'one of the largest unsatisfied markets in Mexico is for agricultural equipment' and highlighted the potential for research and commercial collaboration in areas such as:

- tropical livestock health and welfare;
- high-value horticultural products;
- nanotechnology vaccines;
- biomedical production from sugar cane; and
- plant production.⁵⁴

5.40 Austrade advised the committee that 'Australia can offer significant expertise across the animal value chain, in feedlots, slaughter, genomics, and embryo transfer', noting that 'through policy and research collaboration, Australia can reduce barriers to entry relating to incumbent firms by establishing research and institutional links with

49 ANZMEX Business Council, *Submission 6*, p. 14.

50 ANZMEX Business Council, *Submission 6*, p. 6.

51 Australian Trade Commission, *Submission 39*, p. 10.

52 Australian Industry Group, *Submission 29*, p. 4.

53 Australian Industry Group, *Submission 29*, p. 4.

54 Export Council of Australia, *Submission 28*, pp 8–9.

Mexico'.⁵⁵ Austrade supported the Queensland Alliance for Agriculture & Food Innovation (QAAFI) to identify research and development partnerships. In October 2014, QAAFI gave a presentation on innovation in tropical agriculture at the Global Agrifood Forum, Latin America's largest agriculture conference. In April 2015, the QAAFI Head of Animal Science visited Mexico to 'progress specific opportunities'.⁵⁶

Australian engagement with the Mexican market

5.41 The ANZMEX Business Council commented that Australia appears to be undervaluing Mexico as a potential source of investment into Australia. It advised that there are already two major investments from Mexico in Australia: Gruma, who own the Mission Foods brand; and the lesser known, but more substantial, Riverina Oils and Bio Energy investment in an oil-seed pressing facility. The ANZMEX Business Council advised that the food and agribusiness sector 'could provide a rich source of two-way investment':

Australia could consider options to share its Northern Australia blueprint as a way of securing stronger investment and R&D links in Mexico. There is already established MOUs between Meat & Livestock Australia and the Sheepmeat Council of Australia and their equivalent representatives, and via longstanding research commitments in organisations such as CIMMYT [International Maize and Wheat Improvement Centre]...to develop this agenda, however, Austrade need to be provided local investment responsibilities and provided appropriate funding in order to prosecute a plan in a meaningful way.⁵⁷

5.42 Austrade stated that it is 'keen to support high-level two-way missions in order to develop networks and collaboration at both an institutional and commercial level' and advising the committee that it is 'working to introduce the Mexican State of Nayarit to Australian expertise with the development of 50,000 hectares of irrigated land, used principally for cattle'.⁵⁸

Awareness of opportunities in Mexico and Australia

5.43 The Trade Commissioner for Mexico, Counsellor Esaú Gaza de Vega, told the committee that Australia and Mexico are at 'a point in history where it could not be better' but that most Australian companies are not aware of the momentous opportunities available:

... we are at a point where the increasing production capacity in Mexico and the diminishing production requirements in Australia are just like having hunger and food on the table at the same place: we need to match them; we need to get them together so that we can keep the Australian business going and we can meet the production requirements in Mexico using the production capacities available in Australia.

55 Australian Trade Commission, *Submission 39*, p. 10.

56 Australian Trade Commission, *Submission 39*, p. 11.

57 ANZMEX Business Council, *Submission 6*, p. 21.

58 Australian Trade Commission, *Submission 39*, pp 10–11.

Unfortunately, since there is very little knowledge about this, the opportunities right now, from what we saw from the previous evidence, is that most of the companies are focusing or aiming towards other nations in the Asia-Pacific region rather than looking at where their capacity is really growing, and that is Mexico. Unfortunately, in some cases, besides not being aware, there is this image of being very far away, language barriers, not having direct flights and so forth so that it is not really in the top list of Australian business's priorities.⁵⁹

5.44 The ANZMEX Business Council stressed the importance of regularly providing clear and up-to-date information to the Australian business community regarding the opportunities attached to the TPP:

With the long awaited signing of the TPP, there is little room for complacency in clearly and constantly informing the Australian business community on how to seize opportunities attached to the TPP. The same energy that has been applied to selling the Korea, Japan and China FTAs need to be applied to the TPP, especially in the new markets of Canada, Mexico and Peru.⁶⁰

5.45 The Export Council of Australia advised the committee that most large-scale firms already have a good understanding of the benefits and opportunities in Mexico but that 'Government can best leverage the opportunities of making that information available to smaller or less export oriented companies and can identify opportunities for them in that part of the world and provide that information to them':

It can help educate them into the opportunities, help support them through agencies, such as Austrade—and in conjunction with us—in providing training and education on trading, in that part of the world, and how to facilitate the benefits under the TPP. Then it can keep an eye on the developments, making sure that the proposed and promised commitments are implemented.⁶¹

5.46 Mr Murray Fern, Manager, Mining Equipment, Technology and Services Section, DIIS advised the committee that the government's focus will be on the SMEs:

The focus will be on the SMEs—the small and medium enterprises. We would want to have the major miners there, for example, or the larger METS firms like Orica or WorleyParsons, because they help in the tier 1 to make the connections with the major miners. SMEs are the focus of the growth centre.⁶²

59 Counsellor Esaú Gaza de Vega, Trade Commissioner, ProMéxico, *Committee Hansard*, 29 October 2015, p. 48.

60 ANZMEX Business Council, *Submission 6*, p. 19.

61 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 28.

62 Mr Murray Fern, Manager, Mining Equipment, Technology and Services Section, Department of Industry, Innovation and Science, *Committee Hansard*, 29 October 2015, p. 41.

5.47 Dr Brendon Hammer, DFAT, assured the committee that the government has a wide range of programs and activities to highlight the benefits and opportunities in Mexico resulting following the signing of the TPP:

On TPP, there is going to be quite an important program run by the government...there will be activities out of our embassy in Mexico City to promote Mexican awareness of what the opportunities in Australia might be...the opportunity is already being highlighted on DFAT's website. There are fact sheets on market access outcomes for goods and services covering sectors such as resources, energy, education services, finance services and investment opportunities, and as the ratification and implementation of the TPP unfolds DFAT and Austrade are going to roll out a comprehensive outreach strategy highlighting the benefits.

Mexico is going to be a particular focus when we communicate the outcomes because we have not had any kind of an FTA with Mexico before, so there are lots of opportunities opening out. Where possible we will seek to provide bespoke advice to stakeholders—farmers, manufacturers, investors, service providers. So that is all in train.⁶³

5.48 Austrade advised the committee that it is planning a range of activities to promote opportunities arising from the TPP including:

- promotional roadshows in Australia, scheduled to commence in the second quarter of 2016;
- in-market events in Mexico to highlight opportunities in key sectors; and
- customer outreach to major Mexican and international companies (such as Grupo Mexico, ICA, Grupo Bal, Permex, and CFE) highlighting the cost-benefits of working with Australian suppliers.⁶⁴

TPP tools

5.49 The Export Council of Australia suggested that the Australian government provide support 'for the development of practical, user-friendly tools to assist SMEs, especially service companies, understand and utilise the TPP, as well as leverage opportunities in Mexico'. When asked to elaborate on what tools were needed, Mr Andrew Hudson, Director of the Export Council of Australia, told the committee:

We are developing what we call an FTA tool at the moment which is aimed at facilitating access to information through an online device, for want of a better term. It will basically be very much more a summary of the opportunities under trade or trade agreements. In other words, instead of having to go through several hundred pages of a free trade agreement—and they are all schedules, which is the sort of thing that someone like I usually deal with—they can access relevant, immediate information which will direct their interest or direct their inquiry.

63 Dr Brendon Hammer, First Assistant Secretary, Americas' Division, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015, p. 59.

64 Australian Trade Commission, *Submission 39*, pp 6–7.

We are certainly working on that tool in conjunction with our colleagues in DFAT and our colleagues in other agencies. That is one opportunity, as well as doing a lot of face-to-face education. At the moment government is doing a bit of that with the North Asia FTAs. It is getting on the road and talking to people in different areas. We certainly do that through Australia. I have done a lot of sessions for the Export Council, with the small and medium exporters and big exporters.⁶⁵

Commitment of resources

5.50 Some submissions called for the Australian Embassy and Austrade in Mexico to be provided with additional resources and personnel.⁶⁶ The ANZMEX Business Council asserted that 'there has to be a prioritisation of markets, supported with greater resources, to reflect a changed global economic order. It criticised the Australian government's approach to Mexico and the region, noting that resourcing has stagnated in recent years:

This leads us to our most fundamental criticism of the current approach of Australia to Mexico and the region. That is, while it has been enunciated that it is seeking to extend its activities beyond Asia to the Indo-Pacific, there has been too little consideration of the Americas in that conversation. This is an oversight that must be corrected. Resourcing to these markets has remained more or less stagnant in recent years. (In fact, due to funding pressures Austrade removed a long-standing and industry critical position from the Mexico City post in 2012.)⁶⁷

5.51 Ai Group also called for the government to increase the resources available to promote Australia's interests in Mexico. Ai Group made four recommendations, calling for the Australian government to:

- increase the number of local and Australian-based staff at Austrade Mexico, paying particular attention to recruiting people from a diversity of industries;
- consider a second office in Mexico, located in the north where the aerospace and automotive clusters are situated;
- fund the placement of Mexican Austrade staff into Australian industry associations for short term secondments, to encourage Australian businesses to consider this market; and
- commit to holding Australia Week in Mexico in 2015 to showcase Australian industry and introduce Australian companies to Mexico.⁶⁸

65 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 29.

66 For example: ANZMEX Business Council, *Submission 6*, p. 14; Export Council of Australia, *Submission 28*, p. 4; and Australian Industry Group, *Submission 29*, p. 4.

67 ANZMEX Business Council, *Submission 6*, p. 14.

68 Ms Louise McGrath, National Manager, Business and International Advisory Services, Australian Industry Group, *Committee Hansard*, 29 October 2015, p. 50.

5.52 Similarly, the Export Council of Australia recommended that 'Austrade be provided with at least three additional locally based staff in order to facilitate inward investment and promote trade, particularly in key growth areas'.⁶⁹

Australia week

5.53 Some submissions recommended that the Australian government conduct an annual 'Australia Week' in Mexico.⁷⁰ The Export Council of Australia advised the committee that such an event would serve to develop bilateral ties and bolster the commercial and diplomatic relationship:

The ECA believes high profile events can play a role in raising the profile of Australia in Mexico, increasing Australian companies' awareness of the opportunities in Mexico, and further developing the bilateral trade relationship. Providing funding for an annual *Australia Week* event in Mexico could be an effective model to bolster the commercial and diplomatic relationship.⁷¹

5.54 The ANZMEX Business Council asserted that 'we need a cornerstone annual event, sponsored by the Trade and Investment Minister, which will highlight the opportunities'. It advised that this could be achieved by 'transposing the successful *Australia Week* model from other markets such as India, China and the Middle East'.⁷²

Committee view

5.55 The committee agrees with Trade Commissioner Counsellor Esaú Gaza de Vega's declaration that we are at 'a point in history where it could not be better' for our two nations. The signing of the TPP agreement will place Australian goods on a level playing field with many of our competitors and guarantee market access for a range of services in Mexico. The committee is excited about the significant opportunities for trade and investment with Mexico.

5.56 The committee commends DFAT and Austrade for its work assisting Australian businesses to enter and thrive in the Mexican market and the excellent feedback, heard by the committee from companies such as WorleyParsons, Woodside, and BHP Billiton, praising the staff of the Australian Embassy in Mexico. However, the committee believes that more must be done to raise awareness of Mexico as a key trade and investment destination for Australian businesses, in particular small to medium enterprises.

5.57 The committee commends Austrade's focus on developing opportunities for Australian suppliers of OEMs and automotive aftermarket in the Mexican automotive market. The committee acknowledges the briefings Austrade co-hosted in Melbourne and Adelaide, highlighting the significant value chain opportunities in Mexico in the

69 Export Council of Australia, *Submission 28*, p. 4.

70 For example: ANZMEX Business Council, *Submission 6*, p. 30; Export Council of Australia, *Submission 28*, p. 7; Australian Industry Group, *Submission 29*, p. 4.

71 Export Council of Australia, *Submission 28*, p. 7.

72 ANZMEX Business Council, *Submission 6*, p. 13.

sector and advanced manufacturing more broadly. However, it is the committee's view that more must be done to assist Australian suppliers of OEMs and automotive aftermarket to engage with the opportunities presented by the Mexican automotive industry.

5.58 The committee notes that in 2007 the Joint Standing Committee on Foreign Affairs, Defence and Trade recommended that 'more resources be provided to Australian Government representatives in Mexico for promotional activities such as trade fairs and exhibitions to capitalise on strong interest in Australian products'.⁷³ The committee believes that that additional resource should be allocated to the Australian diplomatic and Austrade posts in Mexico, in particular the provision of additional specialised staff to assist Australian businesses wishing to enter the Mexican market in the wake of the TPP. The committee supports the creation of 'TPP tools' to assist Australian SMEs to understand and navigate the TPP.

Recommendation 11

5.59 The committee recommends that additional resources be allocated to Austrade to raise awareness of the significant value chain opportunities in the Mexican automotive sector (and advanced manufacturing more broadly) and assist Australian suppliers of OEMs and automotive aftermarket to quickly and effectively engage with the Mexican automotive market.

Recommendation 12

5.60 The committee recommends that additional resources be allocated to the Australian diplomatic and Austrade posts in Mexico, particularly the provision of additional specialised staff to assist Australian small to medium enterprises wishing to enter the Mexican market in the wake of the Trans-Pacific Partnership.

Recommendation 13

5.61 The committee recommends that the Department of Foreign Affairs and Trade and Austrade work with the Export Council of Australia to develop a suite of practical, user-friendly tools to assist Australian small to medium enterprises, especially service companies, understand and utilise the Trans-Pacific Partnership.

Senator Alex Gallacher
Chair

Senator Chris Back
Deputy Chair

73 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade with Mexico and the Region*, 2007, p. 28.

Appendix 1

Submissions

- 1 Winemakers Federation of Australia
- 2 A/Prof Cesar Ortega-Sanchez
- 3 Name Withheld
- 4 EXATEC Australia Inc
- 5 Mexican Secretariat of Public Education
- 6 ANZMEX Business Council
- 7 Intermodal Solutions Group – Pit to Ship Solutions
- 8 ANZMEX Chamber of Commerce
- 8.1 Supplementary to submission 8
- 8.2 Supplementary to submission 8
- 8.3 Supplementary to submission 8
- 8.4 Confidential
- 9 Embassy of Mexico in Australia
- 10 Ascenda Corporation
- 11 Mexican Institute of Infrastructure Development
- 11.1 Supplementary to submission 11
- 12 Australian Grape and Wine Authority
- 13 Mrs Cynthia Gavito Paredes
- 14 NOJA Power
- 15 Australian Academy of Science
- 16 Mr Graeme Newton, Deloitte Touche Tohmatsu
- 17 Australia-Latin America Business Council
- 18 Confidential
- 19 Sustainable Minerals Institute
- 20 Mr Luis Ferra
- 21 Department of Education and Training
- 22 Miss Monique de Groot, Babilu Films
- 23 University of Sydney

- 24 Council on Australia Latin America Relations
- 25 Mr Victor Pertou
- 26 Woodside Energy
- 27 Confidential
- 28 Export Council of Australia
- 29 Australian Industry Group
- 30 Department of Foreign Affairs and Trade
- 31 Mr Dominic Wy Kanak
- 31.1 Supplementary to submission 31
- 32 Confidential
- 33 Universities Australia
- 34 Australian Council of Wool Exporters and Processors
- 35 Confidential
- 36 Department of Industry, Innovation and Science
- 37 Confidential
- 38 BHP Billiton
- 39 Australian Trade Commission
- 40 WorleyParsons
- 41 Meat & Livestock Australia

Appendix 2

Tabled documents, answers to questions on notice, and additional information

Additional information and tabled documents

- 1 Ambassador Armando G. Álvarez Reina, Presentation slides, 'Mexico and Australia, Strategic Partners across the Pacific', tabled on 29 October 2015 at public hearing in Canberra
- 2 Counsellor Esaú Gaza de Vega, Presentation slides, 'Australia's predominant Partner in Latin America', tabled on 29 October 2015 at public hearing in Canberra
- 3 Counsellor Esaú Gaza de Vega, ProMexico Australia, 'Mexico Automotive Industry Outlook', tabled on 29 October 2015 at public hearing in Canberra

Answers to questions on notice

- 1 Department of Education and Training - Response to comments and answer to question on notice from public hearing held on 29 October 2015 (received 13 November 2015)

Appendix 3

Public hearings and witnesses

Thursday 29 October 2015, Canberra

Council on Australia Latin America Relations (COALAR)

Mr Victor Perton, Board Member

ANZMEX Chamber of Commerce

Dr Victor Del Rio, President

Centro Kappa de Conocimiento

Dr Eduardo Ramírez, Director

State Government of Morelos

Dr Brenda Valderrama Blanco, Minister for Innovation, Science and Technology

Mexican Institute of Infrastructure Development (IMEXDI)

Dr Edmundo Gamas, Executive Director

ANZMEX Business Council

Mr Donald Smallwood, Board Member

Dr Edmundo Gamas, Board Member

Mr Ernesto Galindo, Board Member

Mr Javier Mata, Board Member

Mr Keri Ramirez, Board Member

Mr Hector Martinez, Board Member

Australia-Latin America Business Council

Mr Paul Bradley, Director

Ms Sandra Meiras, Board Director

Export Council of Australia

Mr Andrew Hudson, Director

Mrs Stacey Mills, Trade Policy and Research Manager

Department of Education and Training

Ms Anne Baly, Group Manager, International Group

Mr Craig Ritchie, Branch Manager, International Mobility, International Group

Ms Cristina Brancella, Assistant Director, Americas, Middle East, Africa and APEC Section, International Group

University of Sydney

Professor Tyrone Carlin, Deputy Vice-Chancellor

Australian Academy of Science

Professor Chennupati Jagadish, Vice President

Ms Nancy Pritchard, Director International Programs

Department of Industry, Innovation and Science

Mr Murray Fearn, Manager, Mining Equipment, Technology and Services Section

Embassy of Mexico in Australia

His Excellency Ambassador Armando G. Álvarez Reina, Ambassador Extraordinary and Plenipotentiary

Trade Commissioner Counsellor Esaú Gaza de Vega, Head of the ProMéxico Office in Australia

Australian Industry Group

Ms Louise McGrath, National Manager, Business and International Advisory Services

Australian Trade Commission

Mr Grame Barty, Executive Director, International Operations

Ms Sally Deane, Assistant General Manager, International Issues Branch

Department of Foreign Affairs and Trade

Dr Brendon Hammer, First Assistant Secretary, Americas' Division

Mr Brett Hackett, Assistant Secretary, Canada and Latin America Branch

Mr Kenneth Gordon, Director, Canada, Mexico and Central America and the Caribbean Section